

Annual Financial
Statements

2013

Management Report for the Group and Parent Company

**Annual Financial Statements of the
Parent Company acc. to HGB**



Content

- 1 Company and Group profile
 - 1.1 Business model
 - Group structure
 - Business operations
 - Management
 - Main markets and competition
 - Main locations
 - 1.2 Strategy
 - 1.3 Control systems
 - 1.4 Research and development
- 2 Economic report
 - 2.1 General economic and sector conditions
 - General economy
 - Sector / key markets
 - Legal conditions / significant events
 - 2.2 Business development
 - Actual and forecast development
 - Segment development
 - Investments
 - Share and dividend
 - 2.3 Position of the Group
 - Earnings position
 - Financial position
 - Asset position
 - Management Board's overall assessment

- 2.4 Position of the company
 - Earnings position
 - Asset and financial position
 - Management Board's overall assessment
- 2.5 Significant non-financial performance indicators
 - Sustainable business policy
 - Employees
 - Green IT
 - Social responsibility
- 3 Subsequent events
- 4 Risk, opportunity and forecast report
 - 4.1 Risk report
 - 4.2 Opportunity report
 - 4.3 Forecast report
- 5 Accounting-related internal control and risk management system
- 6 Disclosures required by takeover law
- 7 Description of corporate governance
- 8 Remuneration report
- 9 Dependent company report

Note: Due to calculation processes, tables and references may produce rounding differences from the mathematically exact values (monetary units, percentage statements, etc.).

1 Company and Group profile

1.1 Business model

Group structure

Founded in 1998 and based in Montabaur, Germany, United Internet AG is the Group parent company of the United Internet Group.

As the Group's holding company, United Internet AG focuses mainly on centralized functions such as corporate controlling and accounting, press relations, investor relations, investment management, risk management, internal audit, and HR management.

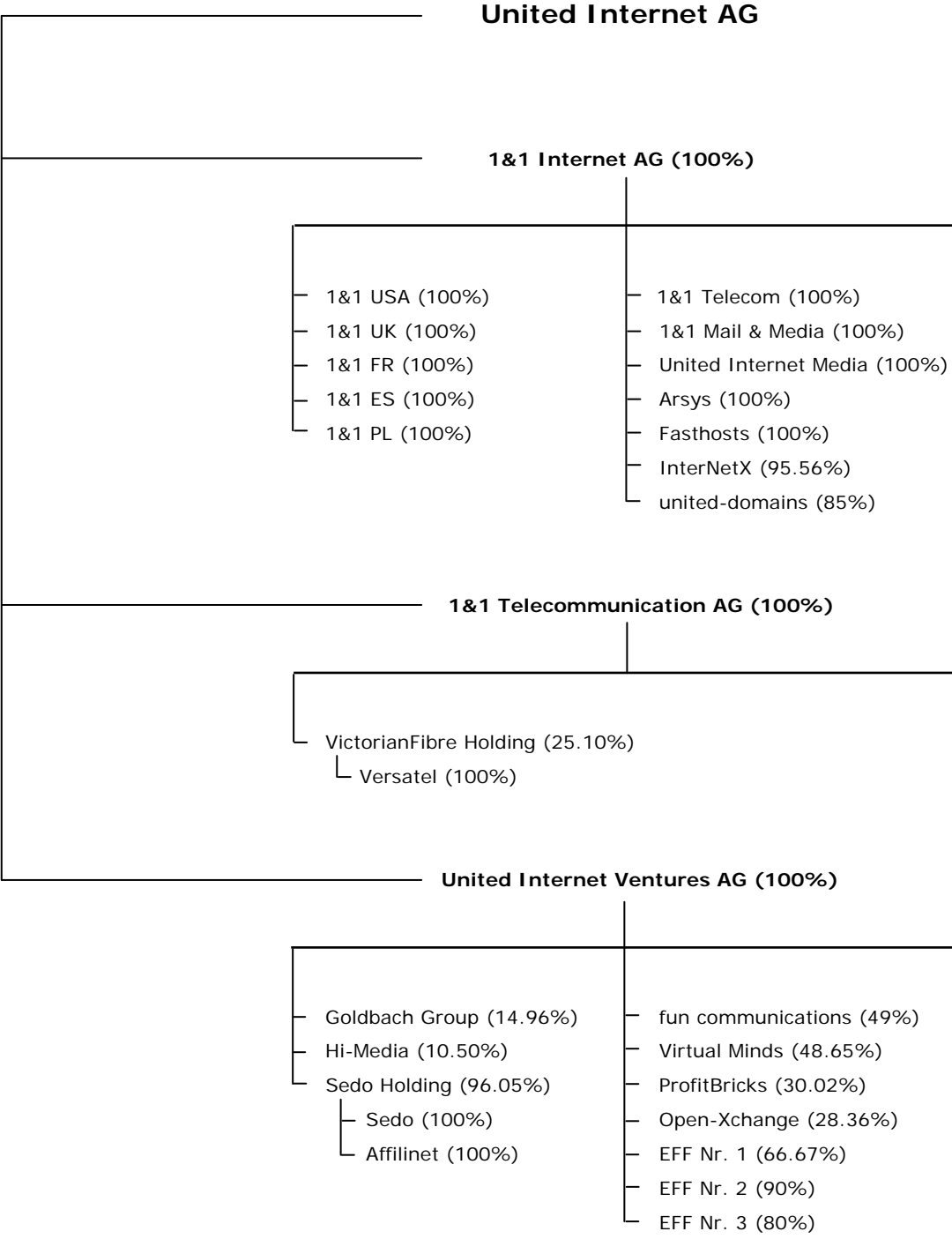
In its operating business, United Internet AG acts primarily via 1&1 Internet AG and Sedo Holding AG, including their main domestic and foreign subsidiaries. These include 1&1 Telecom GmbH, 1&1 Mail & Media GmbH, United Internet Media GmbH, Arsys Internet S.L., Fasthosts Internet Ltd., InterNetX GmbH, united-domains AG, Sedo GmbH and affilinet GmbH.

In addition to these operative and fully consolidated subsidiaries, United Internet holds further investments via United Internet Ventures AG and 1&1 Telecommunication AG.

These mainly consist of the equity interests held – via United Internet Ventures AG – in the listed online marketing companies Goldbach Group AG, Switzerland (14.96%), and Hi-Media S.A., France (10.50%), as well as the investments in fun communications GmbH (49%), Virtual Minds AG (48.65%), ProfitBricks GmbH (30.02%) and Open-Xchange AG (28.36%). Via 1&1 Telecommunication AG, United Internet also holds an investment in Versatel GmbH (25.10% via Versatel's holding company VictorianFibre Holding & Co. S.C.A.).

In addition, United Internet has investments in a further 52 internet companies around the world via the investment funds EFF No. 1 (66.67%), EFF No. 2 (90%) and EFF No. 3 (80%) which United Internet Ventures operates jointly with the Samwer brothers.

Simplified illustration of the Group structure with significant operating subsidiaries and investments:



Business operations

With 13.45 million fee-based customer contracts and 31.51 million ad-financed free accounts around the world, United Internet AG is Europe's leading internet specialist.

The operating business of United Internet AG is divided into the two segments / business fields "Access" and "Applications".

The **Access segment** comprises the company's fee-based landline and mobile access products, including the respective applications (such as home networks, online storage, telephony or video-on-demand). United Internet operates exclusively in Germany in this segment, where it is one of the leading providers. The company remains independent of network providers by purchasing standardized network services from various pre-service providers. These are enhanced with end-user devices, self-developed applications and services from the company's own "Internet Factory" in order to differentiate them from the competition. Access products are marketed by the well-known brands GMX, WEB.DE and 1&1, which enable the company to offer a comprehensive range of products to a mass market while also targeting specific customer groups.

The **Applications segment** comprises United Internet's application business – whether ad-financed or via fee-based subscriptions. These applications include domains, home pages, webhosting, servers and e-shops, Personal Information Management applications (e-mail, to-do lists, appointments, addresses), group work, online storage and office software. The applications are developed by the company's "Internet Factory" or in cooperation with partner firms and operated at the company's seven data centers. In its Applications segment, United Internet is also an internationally leading company and active in numerous European countries (Germany, France, the UK, Italy, Austria, Poland, Switzerland, Spain) as well as in North America (Canada, Mexico, USA). Applications are marketed to specific target groups via the differently positioned brands GMX, mail.com, WEB.DE, 1&1, united-domains, Fasthosts, Arsys and InterNetX. United Internet also offers its customers performance-based advertising and sales platforms on the internet via Sedo and affilinet.

Management

In the fiscal year 2013, the **Management Board** of United Internet AG comprised the company's founder and Chief Executive Officer Mr. Ralph Dommermuth, the Chief Financial Officer Mr. Norbert Lang (with the company since 1994), and Mr. Robert Hoffmann (with the company since 2006). Mr. Hoffmann was appointed to the Management Board of United Internet AG on January 1, 2013 as an additional member. In this new position, he supports the CEO with the strategic development of the company and stands in for him whenever necessary.

The **Supervisory Board** elected by the Annual Shareholders' Meeting once again comprised Mr. Kurt Dobitsch (Chairman), Mr. Kai-Uwe Ricke and Mr. Michael Scheeren in fiscal year 2013.

Main markets and competition

Germany is still the most important sales market of the United Internet Group and accounts for almost 90% of total sales. With its DSL products, the company is among the top three suppliers in Germany's broadband market and with its mobile internet products one of the fastest growing companies. United Internet is the market leader in Germany for hosting and cloud applications.

In Europe, United Internet's hosting and cloud applications are now available in all major markets – either locally or via Germany. In addition to the domestic German market, these mainly include the major European economies of the UK, France, Spain and Italy. With the exception of Italy, where United Internet only began operations in May 2012, the company is among the market leaders in the aforementioned countries. All in all, therefore, United Internet is also the leading European supplier of hosting and cloud applications.

Further key sales markets for the company's application business outside Europe are the North American countries Canada, USA and Mexico. In the most important of these markets, the USA, United Internet is one of the five leading companies in this segment.

Viewed globally, United Internet is thus one of the top three companies for hosting and cloud applications – also according to internet analysts such as 451 RESEARCH.

Main locations

As of December 31, 2013, United Internet AG employed a total of 6,894 people at over 30 domestic and foreign facilities.

On the basis of headcount, the United Internet Group's most important locations were Montabaur (headquarters, finance, risk management, internal audit, HR, marketing, sales, logistics, customer service), Karlsruhe (development, product management, data centers, marketing, sales, customer service), Cebu City, Philippines (customer service), Zweibrücken (customer service), Madrid / Logroño (Spanish business, data centers), Bucharest, Romania (development), Chesterbrook / Lenexa, USA (North American business, data center), Munich (portal business) and Slough / Gloucester (UK business, data center).

1.2. Strategy

United Internet's business model is based predominantly on electronic subscriptions with fixed monthly amounts and contractually agreed terms. Such a business model ensures stable and plannable revenue and cash flows, protects against macroeconomic effects and provides the financial scope to grasp opportunities in new business fields and markets – organically or via acquisitions.

A large number of customer relationships also helps the company to utilize so-called economies of scale: the greater the customer demand for products created by our development teams and operated at our own data centers, the greater our profit will be. These profits can then be invested in new customers, new products and new business fields.

From the current perspective and according to numerous studies, Cloud Applications and Mobile Internet will be the growth markets over the coming years. With its clear positioning in the Access and Applications segments, United Internet is ideally placed to exploit the expected market potential.

In view of the dynamic market development of Cloud Applications and Mobile Internet, the company's growth opportunities are clearly apparent: universally accessible, increasingly powerful broadband connections are enabling new and more sophisticated cloud applications. These internet-based programs for end users and companies will be United Internet's growth drivers in the years ahead – both as stand-alone products in the Applications business field as well as in combination with fixed-line and mobile access products in the Access segment business field.

With its many years of experience as an access and application provider, its expertise in software development and data center operation, marketing, sales and customer support, as well as its strong and well-known brands, and customer relationships with millions of private users, freelancers and small companies in Germany and abroad (currently almost 45 million user accounts world-wide), the company is excellently positioned.

In order to leverage this positioning for further sustainable growth, United Internet will also invest heavily in new customers, new products and business fields in future, as well as in its further internationalization.

In addition to organic growth, United Internet also continually seeks possibilities (especially in its Cloud Application business) for company acquisitions, investments and cooperations, in order to extend its market positions, competencies and product portfolios.

Thanks to the high and plannable level of free cash flow, funding for planned organic growth is also secured and at the same time – if necessary also with the use of existing credit lines – there is financial scope for acquisitions and investments.

The strategic alignment of the business fields is increasingly being reflected in the Group's corporate structure. The Applications business is pooled with 1&1 Internet AG and the Access business with 1&1 Telecom GmbH.

Further information on strategy, opportunities and targets is included in the Risk, Opportunity and Forecast Report in section [4](#).

1.3 Control systems

The internal control systems support management in its monitoring and steering of the Group and its segments. The systems consists of planning, actual situation and projection calculations based on the Group's annually revised strategic planning. Particular attention is paid to market developments, technological developments and trends, as well as their impact on the Group's own products and services, and the Group's financial possibilities. The corporate control system's aim is the continual and sustainable development of United Internet and its subsidiaries.

The Group's reporting system comprises the monthly profit calculations and quarterly IFRS-compliant reports for all consolidated subsidiaries. It presents the asset, financial and earnings position of the Group and all divisions. Financial reporting also includes other detailed information which is required for the assessment and control of operating business.

The key performance indicators of the United Internet Group for chief corporate management are presented in "Segment reporting" under point 4 of the Notes to the Consolidated Financial Statements

Quarterly reports on significant risks for the company represent a further component of the control systems.

The above mentioned reports are discussed at meetings of the Management Board and Supervisory Board and provide the fundamental basis for assessments and decisions.

In order to control the Group's performance, United Internet AG uses in particular the key figures of the income statement (sales, EBITDA, EBIT, EPS), of the statement of cash flows (free cash flow) and of the statement of financial position (asset items, financial liabilities, equity ratio).

The company also employs non-financial key figures, in particular the number and growth of fee-based customer contracts, as well as ad-financed free accounts.

A comparison of planned and actual key performance indicators (KPIs) is provided in this Management Report in 2.2 "Business Development" in the section "Actual and Forecast Development" as well in 2.3 "Position of the Group".

The number of customer contracts, the gross and net sales figures and the related customer acquisition costs in particular – compared to the company's plans and forecast calculations – serve as an early warning system.

1.4 Research and development

As an internet service provider, the United Internet Group does not engage in research and development (R&D) on a scale comparable with manufacturing companies. Against this backdrop, United Internet does not disclose key figures for R&D.

At the same time, the United Internet brands stand for internet access, solutions and innovative web-based products and applications which are mostly developed in-house. The success of United Internet is rooted in an ability to develop, combine or adapt innovative products and services and launch them on major markets.

Thanks to its own development teams, United Internet is able to react fast and flexibly to new ideas and trends and continually enhance its established products, adapting them to changing market needs – a key success factor in the fast-moving internet market. The company's expertise in product development, enhancement and roll-out minimizes its reliance on third party developments and supplies in many areas and thus ensures decisive competitive and time-to-market advantages.

At United Internet's development centers (especially in Karlsruhe and Bucharest), around 1,900 (prior year: 1,750) developers, product managers and technical administrators use mainly open source code in clearly defined and modeled development environments. Third-party programming services are also used to swiftly and efficiently implement specific projects. This enables the company to quickly change existing basic applications of products and adapt them to changing customer needs. United Internet also procures solutions from partners, which are then modified according to needs and integrated into its systems. With the aid of its self-developed and integrated applications, United Internet has a set of modules which can be easily combined and provided with product-specific or country-specific user interfaces in order to create a wide variety of powerful and integrated applications – a huge benefit when tailoring products to varying target groups or for international rollouts.

Due to the steady growth in customer figures, the demands placed on products with regard to reliability and availability are also constantly rising. In addition to the further development of existing products and continual optimization of back-end operations (e.g. the administration and configuration tools provided for our customers), the company also focuses on continually enhancing existing processes in order to raise reliability and customer satisfaction. For example, United Internet is permanently working on improvements to the interfaces with its various pre-service providers.

Focus areas 2013

Access

Access product range rounded out with Mobile Apps: In June, 1&1 provided its customers with the Control Center app, a mobile customer center with which consumption and billing information can be easily viewed on mobile

devices.

In addition, 1&1's online storage and photo album app were both updated with the addition of important new features such as the two-way syncing, DLNA and Airplay support.

Numerous new apps were also introduced, such 1&1 Music, 1&1 HomePhone and 1&1 Backup, so that 1&1's online storage can be adapted even better to customer needs.

Mobile number portability with requested date: As part of the number portability service provided for mobile phone contracts, processes were optimized in 2013 so that customers can now port their numbers to the 1&1 contract on a date of their choice. This means that customers can request that the new mobile phone contract starts exactly after the existing contract expires, thus reliably avoiding any double costs from temporarily having two providers.

Business Applications

Pre-registration process for new top-level domains: As of July 2013, 1&1 offers its customers the possibility to make a non-binding registration for the latest so-called nTLDs (new top-level domains). A new registration platform was specially developed giving website operators a comprehensive overview of the relevant address spaces and the possibility to submit pre-registrations.

Further development of 1&1 hosting product range: As of September 2013, 1&1 offers its hosting customers a range of new applications designed for maximum performance and flexibility for the hosting of websites. Users can now choose between different installation methods: offering greater security in "safe mode" and greater flexibility for individual adjustments in "free mode".

A CDN (Content Delivery Network) has been integrated which enables shared hosting customers to deliver their websites to visitors at increased speeds. In this CDN, static website content is cached at various locations around the world in order to shorten the transmission paths to the respective visitor and thus deliver the website faster. All dynamic content continues to be loaded directly from 1&1's servers and all master copies remain at the company's own data centers.

The new 1&1 Mobile Sitebuilder enables customers to easily create a new mobile website or simply convert an existing page into a mobile-optimized version.

1&1 is one of the world's first hosters to develop and produce a dedicated server for its hosting customers based on the latest 8-core Intel® ATOM C2750 processor (codenamed AVOTON). As with 1&1's previous dedicated server models, special emphasis was placed on maximum performance and extremely low power consumption when selecting and configuring components.

Presentation of the OX App Suite: As of October 2013, 1&1's Spanish and French customers can use the new OX App Suite of United Internet's investment Open-Xchange. The update gives customers a new interface with new design, improved user interface and numerous innovative features, such as the Dashboard with individual configuration of widgets (e.g. weather, calendar

overview etc.). With its responsive design, the OX App Suite is also fully operational and customer-friendly on all mobile devices and tablets.

WEB Apps / iF Award for Web App Store: The applications for 1&1 MyWebsite were also significantly enhanced in fiscal year 2013. Amongst other things, about 500 Web Apps were integrated. These small applications are based on the web services of third-party suppliers. The Web App portfolio comprises a wide range of sector-specific applications (e.g. table reservation tools for restaurants) as well as general-purpose apps (e.g. integration into social networks).

Despite the impressive variety of Web Apps on offer, 1&1 succeeded in ensuring simple and intuitive use. The corresponding Web App Store, for example, received the prestigious international iF Design Award 2014 for outstanding user interfaces.

Integration of 1&1 Social Media Manager (for Facebook or Twitter) into 1&1 MyWebsite: The newly developed 1&1 Social Media Center allows users of 1&1 MyWebsite Business to create (without prior knowledge) a professional Facebook page via a new interface on their existing website and enter into a dialogue with their customers. The 1&1 MyWebsite home page has become the control center for steering social media activities. The 1&1 Social Media Center consists of two parts: with the 1&1 Social Page Manager, an existing 1&1 MyWebsite home page can be turned into a Facebook page in just a few easy steps and with the 1&1 Social Media Manager a new user interface was developed which enables users to create their own content. In addition to Facebook, the 1&1 Social Media Manager also supports Twitter.

Consumer Applications

Relaunch of GMX: In January 2013, one of the biggest software updates in the history of GMX was rolled out. Almost 16 million active mailboxes in Germany, Austria and Switzerland received a more modern and greatly enhanced user interface with greater cloud storage and a host of additional new features.

Prior to the launch, GMX users had been invited to submit wishes, exclusively beta test selected features and discuss changes with other users and GMX staff in a "think tank". Over 1,000 users took the opportunity and helped optimize their future GMX mailbox. The newly developed GMX Webmailer was subsequently tested and finalized in the usability lab.

De-Mail solutions: 1&1's De-Mail offerings were accredited and launched for end users just in time for the CeBIT 2013. Within the framework of Germany's De-Mail legislation, it enables users to send legally binding e-mails. Extra features for business customers were added in the fall. These enable companies and authorities to operate under a separate De-Mail domain. The launch successfully demonstrated that we are capable of maintaining our agility in product development and operations even under the strict requirements of De-Mail certification.

E-Mail made in Germany: With the initiative "E-Mail made in Germany" (EMIG), United Internet and other major German e-mail providers succeeded in defining a technical standard which represents a significant increase in security

for users. The transport encryption written into the EMIG standard ensures that the content of e-mails remains confidential and access by unauthorized persons is made significantly more difficult. This applies to both the data flow between the customer's devices, as well as the data exchange between EMIG providers. The EMIG standard specifies the cryptographic methods to be used and gives recommendations on how encryption methods regarded as weak or broken can be avoided. Special emphasis was placed on using encryption algorithms at key points that operate without consequences (Perfect Forward Secrecy - PFS). This ensures that the encrypted data remain secure, even if parts of the key material are compromised.

EMIG is backward compatible with potentially unencrypted working standards and does not therefore limit the user during communication with non-EMIG partners. The use of EMIG standards does not require any action by the end user. As of 1 April 2014, all e-mail transport routes of the participating partner companies will be fully SSL encrypted. The entire communication security process is conducted transparently in the background. A green "EMIG" symbol in the e-mail dialogues of the web browser will inform customers whether mail can be delivered within the secure EMIG association.

In line with internet conventions, EMIG was conceived as an open service working within a federation. There is no central authority that controls access to all data, as is the case with social networks and many instant messaging solutions for example. Customer data always remain with the respective provider while the EMIG standard governs the protocols and minimum requirements for exchanging e-mails between customers of different providers.

Customer satisfaction / Payment transactions / Security

International roll-out of the 1&1 Principle: In fiscal 2013, the 1&1 Principles known from our Access business were extended to our Hosting and eBusiness operations and rolled out internationally. The existing processes and internal systems were adapted and enhanced. The 1&1 Principles give customers binding guarantees regarding support, flexible contracts and a high degree of operational reliability.

ipayment: With the introduction of the Single Euro Payments Area (SEPA) to standardize cashless payments in the eurozone, and in order to meet security requirements, the data management of bank accounts was modernized in 2013. The IT systems used to process credit card payments, certified according to the highest safety standards of the credit card industry (PCI-DSS), were extended to include SEPA-relevant bank account details in this high-security environment.

Our own internal Payment Service Provider (PSP) "ipayment" was updated during the reporting period in order to include further payment methods and enable its international use. The configuration of payment types and local language was simplified. These modifications facilitate integrations into existing or new eShop solutions.

Security technology to increase availability: In fiscal year 2013, United Internet made further improvements to the stability of its hosting products, despite massive and increasing DDoS (Distributed Denial of Service) and brute force attacks on its infrastructure. This was achieved, for example, with the aid

of new concepts such as the integration of a security module into the Apache webserver which analyzes and filters out such requests for dynamic rules, thus protecting the infrastructure.

2 Economic report

2.1 General economic and sector conditions

General economic development

The International Monetary Fund (IMF) repeatedly downgraded its forecasts for the global economy throughout 2013. In the latest update to its "World Economic Outlook" on January 21, 2014, the Fund calculated growth for the **global economy** of 3.0% in 2013 (after 3.1% in the previous year). This is 0.5 percentage points less than the IMF had forecast in January 2013. This was the third consecutive year that global economic growth had slowed since 2010 (+5.2%).

The Fund blamed this weaker-than-expected trend in 2013 above all on persistently high unemployment in Europe, uncertainty about the effects of stricter US monetary policy, and the faltering development of the emerging economies.

Once again, however, global growth in 2013 was driven mainly by the emerging and developing economies, which grew by 4.7% (compared to 4.9% in the previous year). Growth was much weaker in the developed economies of Europe, North America and Japan, which only managed growth of 1.3% (following 1.4% in the previous year).

In United Internet's North American markets – the USA, Canada and Mexico – the pace of economic growth varied somewhat in 2013. Whereas growth in **Canada** remained stable at 1.7%, there was a marked fall in economic output in the **USA** from 2.8% to 1.9% and in **Mexico** from 3.7% to 1.2%.

The IMF calculated that output fell by 0.4% in the **eurozone** during 2013 (prior year: -0.7%).

The development in United Internet's European target markets was quite varied. Whereas the non-euro **UK** economy grew by 1.7% (prior year: 0.3%) and **France** at least managed minimal growth of 0.2% (prior year: 0.0%), Spain and Italy suffered a further year of recession. Although their economies improved slightly compared to the previous year, economic output in **Spain** fell by 1.2% (prior year: -1.6%) and in **Italy** by 1.8% (prior year: -2.5%).

The IMF calculated economic growth of 0.5% in **Germany**, United Internet's most important market, in 2013. Although 0.1 percentage points less than the IMF predicted in its January 2013 forecast, this still falls 0.4 percentage points short of what the German economy achieved in 2012. According to experts, the main reasons were the global economic downturn and its negative impact on Germany's traditionally strong export sector.

Year-on-year GDP development*

	2010	2011	2012	2013
World	5.2%	3.9%	3.1%	3.0%
USA	3.0%	1.8%	2.8%	1.9%
Canada	3.2%	2.6%	1.7%	1.7%
Mexico	5.4%	3.9%	3.7%	1.2%
Eurozone	1.9%	1.4%	-0.7%	-0.4%
Germany	3.6%	3.1%	0.9%	0.5%
France	1.4%	1.7%	0.0%	0.2%
Italy	1.5%	0.4%	-2.5%	-1.8%
Spain	-0.1%	0.4%	-1.6%	-1.2%
UK	2.1%	0.9%	0.3%	1.7%

Source: International Monetary Fund, World Economic Outlook (update), January 2014

Sector development

The German Information and Communication Technology (ICT) market also fell short of expectations made at the beginning of 2013. As a result, the sector association BITKOM already downgraded its original growth forecast for 2013 during the year from 1.4% to 0.1%. At its annual press conference at the CeBIT, the association stated that revenues in 2013 had ultimately even fallen by 0.6% to € 150.8 billion.

Revenues from ICT products and services in Germany
(in € billion)

	2011	2012	2013	Change
Total ICT market	148.1	151.7	150.8	- 0.6%
IT sub-market	71.2	73.1	74.2	+ 1.5%
Telecommunications sub-market	64.2	66.0	65.9	- 0.2%
Consumer electronics sub-market	12.7	12.6	10.7	- 15.1%

Source: BITKOM

Development of United Internet's key markets

The most important ICT markets for United Internet's business model are the German broadband and mobile internet markets for the subscription-financed Access segment, and the global cloud computing and German online advertising markets for the subscription- and ad-financed Applications segment.

German broadband market

Due in part to the strong trend toward mobile internet usage, demand for new fixed-line broadband connections in Germany has slowed since 2008. With expected growth of 0.6 million to 28.6 million in 2013 – following 0.4 million in 2012 and 1.2 million in 2011 – the number of new connections remained well below previous record years. These figures were calculated by the Association of Telecommunications and Value-Added Service Providers (Verband der Anbieter von Telekommunikations- und Mehrwertdiensten – VATM) and Dialog Consult in their joint TC Market Analysis for Germany 2013 published on October 16, 2013.

In its survey "German Entertainment and Media Outlook 2013-2017" of October 2013, PricewaterhouseCoopers expected sales of fixed-line broadband connections to rise by 1.3% to around € 7.6 billion in 2013.

According to calculations of Dialog Consult / VATM, however, the average volume of data used is rising much more strongly than the number of newly activated connections and sales of broadband connections – as an indicator of continued growth in usage – with growth of 15.9% to 15.3 GB (per connection and month).

Key market figures: broadband access (fixed line) in Germany

	2013	2012	Change
Broadband connections (in million)	28.6	28.0	+ 2.1%
Broadband revenues (in € billion)	7.6	7.5	+ 1.3%
Data volume per connection and month (in GB)	15.3	13.2	+ 15.9%

Source: PricewaterhouseCoopers; Dialog Consult / VATM

Mobile internet market in Germany

The German mobile internet market displayed dynamic growth in 2013. According to BITKOM figures, sales of mobile data services rose by 5.8% to € 9.1 billion in 2013.

At the same time, the average volume of data used (per connection and month) – as an indicator of the growing use of mobile data services – grew by 15.0% to 261 MB.

A major reason for this growth is the boom in smartphones, sales of which increased by 22.2% to 26.4 million in 2013 according to BITKOM. Revenues generated by smartphone sales rose by 12.0% to € 8.4 billion.

Key market figures: mobile internet access (cellular) in Germany

	2013	2012	Change
Mobile internet revenues (in € billion)	9.1	8.6	+ 5.8%
Smartphone sales (in million units)	26.4	21.6	+ 22.2%
Smartphone revenues (in € billion)	8.4	7.5	+ 12.0%
Data volume per connection and month (in MB)	261	227	+ 15.0%

Source: BITKOM / European Information Technology Observatory (EITO); Dialog Consult / VATM

Cloud computing market

In an update of its study "Forecast Overview: Public Cloud Services, Worldwide" published on August 28, 2013, Gartner forecast global growth for Public Cloud Services of 17.9% in 2013, from \$ 111.2 billion to \$ 131.1 billion. Gartner also forecasts strong growth for United Internet's most important regions North America (+24.8% to USD 42.3 billion) and Western Europe (+10.2% to USD 19.4 billion) in 2013.

Cloud Computing is no short-term trend, but represents a fundamental shift in the provision and use of IT services. The aforementioned figures indicate the dynamic potential of this market. IT users get better services for less money with cloud computing. Small and mid-size companies in particular can gain access to IT applications which previously only major corporations could afford.

Key market figures: cloud computing worldwide

	2013	2012	Change
Sales worldwide (in \$ billion)	131.1	111.2	+ 17.9%
Sales in North America (in \$ billion)	42.3	33.9	+ 24.8%
Sales in Western Europe (in \$ billion)	19.4	17.6	+ 10.2%

Source: Gartner

Online advertising in Germany

In its study "German Entertainment and Media Outlook 2013 – 2017" of October 2013, PricewaterhouseCoopers expects (net) revenues of the German online advertising market to rise by 9.6% to around € 5.12 billion in 2013.

Key market figures: online advertising in Germany

(in € billion)	2013	2012	Change
Online advertising revenues	5.12	4.67	+ 9.6%
thereof search word marketing	2.47	2.28	+ 8.3%
thereof display advertising	1.34	1.23	+ 8.9%
thereof affiliate / classifieds	0.92	0.86	+ 7.0%
thereof video advertising	0.22	0.18	+ 22.2%
thereof mobile online advertising	0.18	0.13	+ 38.5%

Source: PricewaterhouseCoopers

Legal conditions / significant events

In 2013, the legal parameters for United Internet's business activities remained largely unchanged from fiscal year 2012 and thus had no significant influence on the development of the United Internet Group.

There were also no significant events in fiscal 2013 which had a material effect on the development of business.

2.2 Business development

Actual and forecast development

United Internet can look back on a very successful fiscal year 2013. The forecasts published at the beginning of the year and during the year were all met or exceeded.

Actual and forecast development of business in 2013

	As of Dec. 31, 2012*	Forecast Mar. 21, 2013	Forecast Aug. 14, 2013	As of Dec. 31, 2013**
Customer contracts	12.04 million	+ ~1 million	+ ~ 1.1 million	+ 1.41 million = 13.45 million
Sales	€ 2,397 billion	+ ~10%	+ ~10%	+ 10.8% = € 2,656 billion
EBITDA from established business fields	€ 450.0 million	~ € 500 million	~ € 500 million	+ 14.5% = € 515.1 million
EBITDA-effective start-up losses in new business fields***	€ 124.1 million	~ € 100 million	~ € 100 million	- 13.1% = € 107.9 million
EBITDA	€ 325.9 million	~ € 400 million	~ € 400 million	+ 24.9% = € 407.2 million
EPS	€ 0.71	€ 1.00-1.10	€ 1.00-1.10	+ 50.7% = € 1.07
Free cash flow****	€ 204.7 million	> € 200 million	> € 200 million	+ 3.6% = € 212.0 million

* Without special items: Sedo impairment charges (EPS effect: € -0.24) and Freenet share sales (EBITDA effect: € +17.9 million; EPS effect: € +0.09)

** Growth in customer contracts: organic growth (1.08 million) plus customer contracts from Arsys acquisition (0.33 million)

*** Investment in new business fields (De-Mail, 1&1 MyWebsite, nTLDs)

**** Free cash flow is defined as net cash inflows from operating activities, less capital expenditures, plus payments from disposals of intangible assets and property, plant and equipment

The number of fee-based **customer contracts** was raised by 1.08 million, or including the Arsys acquisition by 1.41 million, (forecast March 21, 2013: approx. 1.0 million / forecast August 14, 2013: approx. 1.1 million) to a total of 13.45 million contracts.

Consolidated sales grew by 10.8% (forecast: approx. 10%) to € 2.656 billion.

Despite upgrading the customer forecast during the year, the original earnings forecasts were also reached: **EBITDA from established business fields** rose sharply by 14.5% to € 515.1 million (forecast: approx. € 500 million) compared to the prior-year EBITDA result adjusted for special items.

At the same time, our strong cash generation in established business fields was used to **invest heavily** in the development and expansion of new business fields and thus create growth potential for the future. As the established business fields exceeded expectations, a total of € 107.9 million (forecast: approx. € 100 million) was invested in new business fields with an effect on EBITDA.

All in all, **EBITDA** improved by 24.9% to € 407.2 million (forecast: approx. € 400 million) compared to prior-year EBITDA adjusted for special items.

EPS increased by 50.7% to € 1.07 (forecast: € 1.00-1.10) compared to prior-year EPS adjusted for special items.

Free cash flow (i.e. net cash inflows from operating activities, less capital expenditures, plus payments from disposals of intangible assets and property, plant and equipment) was improved once again by 3.6% in fiscal 2013 to € 212.0 million (forecast: > € 200 million)

Segment development

Access segment

The **Access segment** comprises the company's fee-based landline and mobile access products, including the respective applications (such as home networks, online storage, telephony or video-on-demand). United Internet operates exclusively in Germany in this segment, where it is one of the leading providers. The company remains independent of network providers by purchasing standardized network services from various pre-service providers. These are enhanced with end-user devices, self-developed applications and services in order to differentiate them from the competition. Access products are marketed by the well-known brands GMX, WEB.DE and 1&1, which enable the company to offer a comprehensive range of products to a mass market while also targeting specific customer groups.

In line with the dynamic development of customer figures, **segment sales** grew strongly once again by 12.7% from € 1,586.1 million to € 1,788.3 million in fiscal year 2013. The segment's share of total Group sales amounted to 67.3%.

Despite increased investments in customer growth (+820,000 contracts in 2013 compared to +670,000 in the previous year) and the full expensing of smartphone subsidies in the company's fast growing Mobile Internet business, there was strong year-on-year growth in **segment EBITDA** of 27.9% to € 245.4 million (prior year: € 191.8 million), while **segment EBIT** climbed 32.3% to € 217.4 million (prior year: € 164.3 million).

All customer acquisition costs and costs for the conversion of resale DSL connections to complete packages (ULL) continue to be charged directly as expenses.

The number of **employees** in this segment rose by 13.6% to 2,191 (prior year: 1,928).

Key sales and earnings figures in the Access segment
(in € million)

	2013	2012	Change
Sales	1,788.3	1,586.1	+ 12.7%
EBITDA	245.4	191.8	+ 27.9%
EBIT	217.4	164.3	+ 32.3%

Quarterly development
(in € million)

	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q4 2012	Change
Sales	421.7	441.5	458.7	466.4	417.1	+ 11.8%
EBITDA	54.8	54.0	67.1	69.5	46.3	+ 50.1%
EBIT	47.2	47.3	60.2	62.7	39.1	+ 60.4%

Historical development of key sales and earnings figures*
(in € million)

	2010	2011	2012	2013
Sales	1.230.1	1.368.0	1.586.1	1.788.3
EBITDA	122.6	152.3	191.8	245.4
EBITDA-Marge	10.0%	11.1%	12.1%	13.7%
EBIT	92.0	122.2	164.3	217.4
EBIT-Marge	7.5%	8.9%	10.4%	12.2%

* The sale of the AdLINK Media business in 2009 and the launch of Mobile Internet products in 2010 had a significant impact on the business model, financial position and performance of United Internet. As a result, United Internet's multi-period overview also does not begin until 2010.

The number of fee-based **Access contracts** rose by 820,000 to 5.54 million contracts in fiscal year 2013. Of this figure, the segment added 570,000 new customer contracts in its Mobile Internet business and thus raised the number of customers to 1.98 million. There was also growth in the important complete DSL contract business with the addition of 390,000 customer contracts to reach a total of 3.18 million. As expected, however, the number of customer contracts for those business models being phased out (T-DSL and R-DSL) continued to fall in fiscal 2013 (-140,000 customer relationships). All in all, the total number of DSL contracts grew by 250,000 contracts to 3.56 million. As a result, United Internet easily outperformed the overall German broadband market (fixed-line) (+7.6% compared to 2.1% market growth).

Development of Access contracts in fiscal year 2013
(in million)

	Dec. 31, 2013	Dec. 31, 2012*	Change
Access, total contracts	5.54	4.72	+ 0.82
of which Mobile Internet	1.98	1.41	+ 0.57
of which DSL complete (ULL)	3.18	2.79	+ 0.39
of which T-DSL / R-DSL	0.38	0.52	- 0.14

* Figures adjusted to aid comparison (see 3-Month Report 2013, page 9: customer and contract inventory)

Development of Access contracts in the fourth quarter of 2013
(in million)

	Dec. 31, 2013	Sep. 30, 2013	Change
Access, total contracts	5.54	5.36	+ 0.18
of which Mobile Internet	1.98	1.86	+ 0.12
of which DSL complete (ULL)	3.18	3.09	+ 0.09
of which T-DSL / R-DSL	0.38	0.41	- 0.03

Product highlights 2013

In the period under review, the main focus was on expanding the performance of the 1&1 All-Net-Flat product family, raising the flexibility of all 1&1 Mobile Internet products, and launching "Smart Home" for 1&1 DSL.

- **Increased surfing speeds and data volumes for all 1&1 All-Net-Flats:** In January 2013, the 1&1 All-Net-Flat product family was enhanced with greater surfing speeds and increased high-speed data volumes. The 1&1 All-Net-Flat Basic now boasts 500 MB high-speed data volume (instead of 300 MB) and speeds of up to 7.2 Mbit/s; the 1&1 All-Net-Flat Plus has 1,000 MB (instead of 500 MB) high-speed data volume with up to 14.4 Mbit/s; while the 1&1 All-Net-Flat Pro offers 2,000 MB (instead of 1,000 MB) of high-speed data volume.
- **Flexible data packages for all 1&1 Mobile Internet tariffs:** As of February 2013, 1&1 offers its Mobile Internet users optional high-speed data packages. As soon as 75% or 100% of the included high-speed volume has been used, 1&1 All-Net-Flat users (as well as 1&1 Notebook-Flat and Tablet-Flat users) receive a text message providing information and the possibility to book top-up packages.
- **1&1 DSL ushers in "smart home" era:** Starting the coffee machine on your way home, switching lights on and off while on vacation, or checking if you really did unplug the iron. Intelligent power outlets – accessible via the home network with WiFi remote control or smartphone app – make all this possible. As of April 2013, 1&1 DSL has taken its first step toward such "smart homes". The 1&1 SmartEnergy power outlet can also help save energy. It collects

energy usage data and presents the results for each hour, day, month or year. This also allows users to draw up their own personal carbon footprint.

Applications segment

The **Applications segment** comprises United Internet's application business – whether ad-financed or via fee-based subscriptions. These applications include domains, home pages, webhosting, servers and e-shops, Personal Information Management applications (e-mail, to-do lists, appointments, addresses), group work, online storage and office software. The applications are developed by the company's "Internet Factory" or in cooperation with partner firms and operated at the company's seven data centers. In its Applications segment, United Internet is also a global player with activities in numerous European countries (Germany, France, the UK, Italy, Austria, Poland, Switzerland and Spain) as well as North America (Canada, Mexico and the USA). Applications are marketed to specific target groups via the differently positioned brands GMX, mail.com, WEB.DE, 1&1, Arsys, united-domains, Fasthosts and InterNetX. United Internet also offers its customers performance-based advertising and sales platforms on the internet via Sedo and affilinet.

In fiscal year 2013, **sales** of the Applications segment rose by 7.0%, from € 810.2 million to € 867.0 million. This was despite the fact that revenue from the marketing of United Internet's portals were down approx. € 6.4 million year on year in the first quarter of 2013. Revenue from this business was up again as of the second quarter and was also able to achieve growth. **Sales abroad** were raised by 11.2% to € 296.9 million (prior year: € 266.9 million). As a result, the segment accounted for around 32.6% of total Group sales.

As in the preceding years, United Internet once again invested heavily in set-up, development and marketing of new business fields in fiscal 2013. The main focus was on De-Mail, 1&1 MyWebsite and the new top-level domains (nTLDs). United Internet invested a total of € 107.9 million (prior year: € 124.1 million) – and thus even more than originally planned (€ 100 million) – in its new business fields in 2013.

Despite these persistently high investments, **EBITDA** increased by 27.7%, from € 132.1 million to € 168.7 million, and **EBIT** by 53.3%, from € 66.6 million (comparable prior-year figure without Sedo impairment charges of € 46.3 million) to € 102.1 million.

Customer acquisition costs in this segment also continue to be charged directly as expenses.

In September 2013, the wholly acquired company Arsys Internet S.L. was integrated into the segment's financial and customer figures. Further details are provided under point 2.2 "Business development" in the section "Group Investments" as well as in the Notes to the Consolidated Financial Statements under point 3 "Business Combinations and Investments".

The number of **employees** in this segment grew by 8.8% to 4,669 (prior year: 4,292) – due in part to the acquisition of Arsys.

Key sales and earnings figures in the Applications segment
(in € million)

	2013	2012	Change
Sales	867.0	810.2	+ 7.0%
EBITDA	168.7	132.1	+ 27.7%
EBIT*	102.1	66.6	+ 53.3%

* 2012 without negative special items (Sedo impairment charges: EBIT effect: € 46.3 million)

Quarterly development
(in € million)

	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q4 2012	Change
Sales	207.9	211.7	213.4	234.0	212.8	+ 10.0%
EBITDA	38.5	32.3	41.0	56.9	40.0	+ 42.3%
EBIT	23.1	16.4	23.7	38.9	22.6	+ 72.1%

Historical development of key sales and earnings figures*
(in € million)

	2010	2011	2012	2013
Sales	676.5	725.8	810.2	867.0
Start-up losses**	21.7	42.7	124.1	107.9
EBITDA	232.7	183.4	132.1	168.7
EBITDA margin	34.4%	25.3%	16.3%	19.5%
EBIT***	177.3	125.0	66.6	102.1
EBIT margin	26.2%	17.2%	8.2%	11.8%

* The sale of the AdLINK Media business in 2009 and the launch of Mobile Internet products in 2010 had a significant impact on the business model, financial position and performance of United Internet. As a result, United Internet's multi-period overview also does not begin until 2010.

** Start-up losses = EBITDA-effective start-up losses in new business fields

*** 2012 without special items (Sedo impairment charges: EBIT effect: € -46.3 million)

The number of fee-based **Business Applications contracts** rose worldwide by 530,000 to 5.73 million (of which +110,000 1&1 MyWebsite contracts to a total of 510,000) in fiscal year 2013. Of this total, there was an increase in domestic contracts of 90,000 to 2.37 million, while contracts abroad rose by 440,000 to 3.36 million. This strong growth abroad results in part from the takeover of the Spanish competitor Arsys, which contributed around 330,000 contracts to the total number of customer contracts.

The international expansion of the segment's Business Application business was also continued with a roll-out in Mexico in the reporting period.

Development of Business Applications contracts in fiscal year
(in million)

	Dec. 31,	Dec. 31,	Change
Business Applications, total contracts	5.73	5.20	+ 0.53
of which "domestic"	2.37	2.28	+ 0.09
of which "foreign"	3.36	2.92	+ 0.44

* Figures adjusted to aid comparison (see 3-Month Report 2013, page 11: customer and contract inventory)

Development of Business Applications contracts in the fourth quarter of 2013
(in million)

	Dec. 31,	Sep. 30,	Change
Business Applications, total contracts	5.73	5.72	+ 0.01
of which "domestic"	2.37	2.35	+ 0.02
of which "foreign"	3.36	3.37	- 0.01

In the second half of 2013, United Internet shifted its advertising budget for Business Applications away from the international TV marketing of the 1&1 MyWebsite product and toward a widespread ad campaign for the new top-level domains (nTLDs). Details on the nTLDs are provided at the end of this segment report under "Product highlights 2013". The company's declared aim was to generate around 5 million non-binding pre-registrations for the **nTLDs** by the end of 2013. With around 5.9 million pre-registrations as of December 31, 2013, United Internet surpassed this target. The generated pre-registrations are to be used to gain fee-based customer contracts on availability of the ending. On November 6, 2013, United Internet signed a registry agreement with the US domain registry Donuts Inc. and began accepting binding pre-orders for the first four domain endings on November 8. As the largest registry for new top-level domains, Donuts Inc. plans to offer more than 150 new domain endings.

The number of **Consumer Accounts** rose slightly by 10,000 to 33.69 million in fiscal year 2013. Fee-based accounts with Premium Mail subscriptions declined by 40,000 to 1.87 million. This was brought about by the expanded scope of services provided by competing, ad-financed, free accounts. Fee-based accounts with Value-Added subscriptions rose by 100,000 to 310,000. Following the accreditation received on March 5, 2013, a total 490,000 De-Mail usage contracts were completed as of December 31, 2013 – of which 210,000 users could be fully identified and activated. In contrast to accounts with Premium Mail subscriptions and Value-Added subscriptions, the aforementioned De-Mail usage contracts are not fee-based contracts as defined by United Internet's contract policy, as these contracts are not linked to a monthly basic fee but invoiced purely according to usage.

Development of Consumer Applications contracts in fiscal year
(in million)

	Dec. 31,	Dec. 31,	Change
Consumer Applications, total accounts	33.69	33.68	+ 0.01
of which with Premium Mail subscription	1.87	1.91	- 0.04
of which with Value-Added subscription	0.31	0.21	+ 0.10
of which with De-Mail address / identification	0.49 / 0.21	-	+ 0.49 / 0.21

* Figures adjusted to aid comparison (see 3-Month Report 2013, page 11: customer and contract inventory)

Development of Consumer Applications contracts in the fourth quarter of 2013
(in million)

	Dec. 31,	Sep. 30,	Change
Consumer Applications, total accounts	33.69	33.47	+ 0.22
of which with Premium Mail subscription	1.87	1.89	- 0.02
of which with Value-Added subscription	0.31	0.30	+ 0.01
of which with De-Mail address / identification	0.49 / 0.21	0.42 / 0.17	+ 0.07 / 0.04

Product highlights 2013

In the period under review, activities in the field of Consumer Applications focused on the roll-out of new GMX mailboxes and the De-Mail accreditation of WEB.DE and GMX. Business Application activities centered on expanding the features of the 1&1 MyWebsite product, the roll-out of Microsoft Exchange 2013, the start of pre-registration for the new top-level domains, as well as the launch of a new 1&1 shared hosting product line.

- **16 million mailboxes with cloud storage for GMX:** In the first quarter of 2013, 16 million active mailboxes in Germany, Austria and Switzerland received an enhanced user interface with improved ease-of-use. A whole host of new features and two gigabytes of cloud storage were conveniently integrated.
- **WEB.DE and GMX accredited for De-Mail:** WEB.DE and GMX were able to announce the receipt of their De-Mail accreditation at the CeBIT 2013 trade show. This represents one of the most important milestones so far for this project. The De-Mail launch of WEB.DE and GMX has also been accompanied by a TV campaign since March 6.
- **1&1 MyWebsite with new, additional features:** In March 2013, 1&1 integrated a series of new tools into its 1&1 MyWebsite product which help companies and freelancers optimize both the appearance and performance of their websites. The new "Multimedia Show", for example, enables users to easily design audio-visual material for a more compelling customer experience, while the new "Sheet Catalogue" makes it easy to produce online brochures, and the "Online Survey Tool" offers an easy way of collecting customer feedback.

- **1&1 offers new package for Microsoft Exchange 2013:** In April 2013, 1&1 launched its new professional mail solution "Microsoft Exchange 2013". The product mainly targets small and mid-size companies. The Exchange mailbox with a storage capacity of 25 gigabytes and the latest Outlook version 2013 gives customers the possibility to access the mailbox via any internet-capable user device. Real-time synchronization with the user's desktop PC also enables mobile access via notebooks, smartphones or tablet PCs. In addition, customers benefit from high security standards for protection against spam and viruses.
- **1&1 offers pre-registration for new top-level domains (nTLDs):** As of July 2013, 1&1 offers home users and businesses the possibility to make a non-binding registration for the latest generation of internet addresses. The new, so-called nTLDs offer small to mid-sized businesses in particular, but also clubs and groups, over 700 attractive endings, such as .berlin, .restaurant, .shop, .gmbh, .music or .auto. Whereas address endings were originally linked mostly to specific nations, topics such as places and industries will play a major role for the generation of future addresses. The new top-level domains will greatly expand the previously restricted possibilities for name generation and thus increase the number of options for individualized addresses. Business owners in particular will benefit from the extra customer interest created by their new addresses, enabling them to greatly strengthen their digital brand identification.
- **1&1 launches new shared hosting product line:** In September 2013, 1&1 unveiled a new hosting product line offering maximum performance and flexibility for the hosting of websites. Available for Linux and Windows, the new products provide professional developer tools, a user-friendly WebApp Center, possibilities to control optimum performance and an experienced team of experts offering support for these top web apps. The launch was accompanied by the presentation of the new 1&1 Principles for Hosting and eBusiness, which give binding guarantees for customer support, flexible contracts and operational security for their hosting packages.

Group investments

Significant changes

Investment in Open-Xchange

In early July 2013, United Internet acquired 28.36% of shares – via United Internet Ventures AG – in the e-mail and collaboration specialist Open-Xchange AG. The acquisition costs for the Open-Xchange shares amounted to € 15.0 million. With its “OX App Suite”, Open-Xchange offers an extensive, browser-based software solution for the processing and administration of emails, contacts, and appointments, which can be supplemented in real time to include information from social networks such as Facebook, LinkedIn, XING and Twitter. Open-Xchange also allows images, as well as audio, video and office files to be centrally stored, administered and worked on by teams. A cloud-based office solution is also currently being developed with “OX Documents”. Open-Xchange AG has grown both revenue and user numbers by 50% over the past three years. Open-Xchange's software is currently deployed with more than 80 million users, and is provided to them as software-as-a-service (SaaS) by more than 80 hosting and telecommunications providers worldwide. United Internet subsidiary 1&1 Internet AG has been working successfully with Open-Xchange for several years in the field of e-mail and collaboration solutions.

Acquisition of Arsys

In August 2013, United Internet agreed a deal with the owners of the Spanish company Arsys Internet S.L., the private equity companies The Carlyle Group and Mercapital, as well as further original shareholders, concerning the acquisition of a 100% stake in Arsys by 1&1 Internet AG. In the course of the acquisition, an amount of € 138.1 million was settled in cash. Arsys employs around 300 people and is one of the leading players on Spain's webhosting and cloud computing market with some 300,000 customer contracts, annual sales of around € 40 million and EBITDA of about € 15 million. The company's products are served from the company's own two data centers in Spain. With the acquisition of Arsys, United Internet has greatly strengthened its position in Spain and will be able to develop the Spanish market in the future with coordinated use of the 1&1 and Arsys brands. Arsys was first consolidated (in the Applications segment) in the consolidated financial statements of United Internet AG in September 2013. Further details are provided in the Notes to the Consolidated Financial Statements under point 3 “Business Combinations and Investments”.

Squeeze-out process at Sedo Holding AG

On October 2, 2013, United Internet announced that it had acquired (via United Internet Ventures AG) the 4,461,379 shares in Sedo Holding AG, Cologne, held by Sedo's founders at a price of € 2.60 per share. United Internet Ventures thus raised its stake in Sedo Holding AG to 96.05% and was able to initiate a squeeze-out process pursuant to Secs. 327a ff. AktG for Sedo Holding AG. The members of United Internet's executive bodies Mr. Dommermuth, Mr. Lang and Mr. Scheeren had previously sold their shares to United Internet Ventures. The purchase price for these shares also amounts to € 2.60 per share and thus corresponds to the price at which the founders sold their shares to United Internet. With the aid of the squeeze-out, United Internet aims to integrate the business fields operated by Sedo Holding AG – Affiliate Marketing (via affilinet)

and Domain Marketing (via Sedo) – more closely into the strategic development of the United Internet Group. In addition to the planned closer integration of Sedo activities with other business fields of the Group, United Internet also aims to make Sedo and affilinet more flexible and effective on the market with the aid of faster decision processes and to save costs relating to its stock market listing and mandatory disclosures. In December 2013, the cash settlement officially set for the remaining Sedo Holding shareholders as examined by an officially appointed settlement auditor amounted to € 2.77 per share. Further details are provided under point 3 “Subsequent events”.

In addition to these investments and its (fully consolidated) core operating brands in the Access and Applications segments, United Internet also held investments in a number of other companies as of December 31, 2013.

Investments in listed companies

United Internet has held an investment in **Goldbach Group AG**, Küsnacht-Zurich / Switzerland since 2007. As of December 31, 2013 its share of voting rights was unchanged at 14.96%. In its financial year 2013, the Goldbach Group generated sales CHF 458.6 million or € 374.1 million (prior year: € 368.9 million) and – due mainly to goodwill writedowns to streamline its portfolio and other special items – posted a negative consolidated net income of CHF -2.4 million or € -2.0 million (prior year: € 19.2 million). The company's market capitalization as of December 31, 2013 amounted to around € 111 million (compared to € 89 million in the previous year).

United Internet has held a stake in **Hi-Media S. A.**, Paris / France since the transfer of the Group's Display Marketing business “AdLINK Media” to Hi-Media in mid 2009. As of December 31, 2013, this shareholding amounted to 10.50%. Hi-Media closed its fiscal year 2013 with sales of € 185.3 million (prior year: € 194.7 million) and a positive consolidated result of € 1.9 million (prior year: € 5.9 million). The company's market capitalization amounted to around € 85 million as of December 31, 2013 (compared to € 94 million in the previous year).

Further significant investments

United Internet has held significant stakes in **fun communications GmbH** (49.00%) and **Virtual Minds AG** (48.65%) for several years. Whereas fun posted a slightly negative result in fiscal year 2013, Virtual Minds generated a positive result.

In early November 2010, United Internet acquired a 30.02% shareholding in **ProfitBricks GmbH**, a start-up in the field of cloud hosting (Infrastructure-as-a-Service, IaaS). ProfitBricks is currently still developing its brand and client base and closed its fiscal year 2013 with a strongly negative result.

In December 2012, United Internet exercised its option to purchase 25.1% of shares in the parent company of **Versatel GmbH**, VictorianFibre Holding & Co. S.C.A., a company belonging to funds managed by Kohlberg Kravis Roberts & Co. L.P. (“KKR”). This option was granted to United Internet when selling its Versatel shares to KKR in May 2011. At the time, United Internet's sale paved the way for a delisting of the company. By exercising the option, United Internet

secured a significant investment in one of the leading infrastructure suppliers with Germany's second-largest fiber-optic network. Following the completion of restructuring measures, Versatel's business has now stabilized significantly.

Investment fund with the Samwer brothers

Together with the Samwer brothers, United Internet has been investing in funds with a variety of focus areas since mid 2007. United Internet has held a stake in the **European Founders Fund GmbH & Co. Beteiligungs KG No. 1** (EFF No. 1), a fund for early-phase financing, since the middle of 2007. As of 2008, United Internet also holds a stake in a further joint fund set up in late 2007 for so-called "later-stage investments", the **European Founders Fund GmbH & Co. Beteiligungs KG No. 2** (EFF No. 2). In a contract dated March 5, 2008, United Internet also acquired a stake in the **European Founders Fund GmbH & Co. Beteiligungs KG No. 3** (EFF No. 3). This fund specializes in small percentage investments in "later-stage companies".

In fiscal year 2013, 15 new investments were made within the framework of the EFF No. 1 fund. No investments were made within the framework of the EFF No. 2 and EFF No. 3 funds. United Internet's prorated investments in new companies and increased shareholdings amounted to € 7.9 million in fiscal year 2013 (prior year: € 0).

United Internet received prorated proceeds from the sale of shares in four portfolio companies and from dividends of € 3.8 million in 2013 (prior year: € 16.7 million).

As of December 31, 2013 a total of **52 investments** (prior year: 41 investments) in internet companies were held via the 3 funds.

Share and dividend

Share

On the back of very strong company progress and accompanied by an upbeat mood on the stock markets, the United Internet AG share continued its good performance of the previous years and closed 2013 at a new all-time high.

Specifically, the United Internet share achieved growth of 89.6% in fiscal year 2013 to reach a price of € 30.92 as of December 31, 2013 (December 31, 2012: € 16.31). The share's performance clearly exceeded that of the preceding years (+18.2% in 2012; +13.4% in 2011), also in comparison to the strong growth of the indices DAX (+25.5%) and TecDAX (+40.9%).

There was a corresponding increase in the market capitalization of United Internet AG from around € 3.51 billion to € 6.00 billion as of December 31, 2013. In fiscal year 2013, average daily trading via the XETRA electronic computer trading system amounted to 367,000 shares (prior year: 333,000) with an average value of € 8.55 million (prior year: € 4.91 million).

Share development* (in €)

	2010	2011	2012	2013
Year-end	12.17	13.80	16.31	30.92
Performance	+ 32.0%	+ 13.4%	+ 18.2%	+ 89.6%
Year-high	13.61	14.79	17.55	31.00
Year-low	8.60	10.58	12.49	16.11
Average daily turnover	8,659,606	7,974,042	4,906,732	8,554,509
Average daily turnover (units)	796,493	613,960	332,898	367,102
Number of shares at year-end (units)	240 million	215 million	215 million	194 million
Market value at year-end	2.92 billion	2.97 billion	3.51 billion	6.00 billion
Earnings per share	0.58	0.79	0.56	1.07

* All stock exchange figures are based on Xetra trading

Share data

Share type	Registered common stock
Notional share of capital stock	€ 1.00
German Securities Identification Number (WKN)	508903
International Securities Identification Number (ISIN)	DE0005089031
Ticker symbol Xetra	UTDI
Reuters ticker symbol	UTDI.DE
Bloomberg ticker symbol	UTDI.GR
Segment	Prime Standard
Index	TecDAX
Sector	Software

Shareholder structure*

Shareholder	Shareholding
Ralph Dommermuth GmbH & Co. KG Beteiligungsgesellschaft	41.24%
RD Holding GmbH & Co. KG (Ralph Dommermuth)	1.03%
DWS	4.99%
Allianz	3.02%
United Internet	0.13%
Free float	49.59%

* As of December 31, 2013, figures are based on the last respective notification of voting rights

Dividend

In fiscal year 2013, United Internet AG continued to pursue its shareholder-friendly dividend policy based on continuity. The Annual Shareholders' Meeting of United Internet AG on May 23, 2013 voted to accept the proposal of the Management Board and Supervisory Board to pay a dividend of € 0.30 per share for fiscal year 2012. The total dividend payment of € 58.0 million (prior year: € 58.1 million) was made on May 24, 2013. At 53.6%, the dividend payout ratio based on consolidated earnings after tax (the consolidated result in 2012 was burdened by non-cash goodwill writedowns for subsidiary Sedo Holding AG of € 46.3 million) was above the prior-year figure of 35.8%. Without consideration of the aforementioned special item, the payout ratio was 37.5% and thus at the upper end of the 20-40% of adjusted consolidated net income targeted by the company's dividend policy (unless funds are required for further company development).

For fiscal year 2013, the Management Board will propose to the Supervisory Board a dividend of € 0.40 per share. The Management Board and Supervisory

Board will discuss this dividend proposal at the Supervisory Board meeting on March 26, 2014 (and thus after the editorial deadline for this Management Report). The Annual Shareholders' Meeting on May 22, 2014 will vote on the joint proposal of the Management Board and Supervisory Board.

On the basis of 193.8 million shares with dividend entitlement (as of December 31, 2013), the total dividend payment for fiscal year 2013 would amount to € 77.5 million. This would correspond to 37.6% of consolidated net income after tax for 2013. Based on the year-end 2013 price of the United Internet share, the dividend yield amounts to 1.3%.

Dividend development

	2010	2011	2012	2013***
Dividend per share (in €)	0.20	0.30	0.30	0.40
Dividend payment (in € million)	42.0	58.1	58.0	77.5
Payout ratio	32.4%	35.8%	53.6%	37.4%
Payout ratio without special items*	32.4%	35.8%	37.5%	37.4%
Dividend yield**	1.6%	2.2%	1.8%	1.3%

* Sedo impairments (2012)

** As of: December 31

*** Subject to approval of Supervisory Board and Annual Shareholders' Meeting 2014

Annual Shareholders' Meeting 2013

The Annual Shareholders' Meeting of United Internet AG was held in Frankfurt am Main on May 23, 2013. A total of 58% of capital stock was represented. The shareholders adopted all resolutions on the agenda requiring voting with large majorities.

Capital stock and treasury shares

Based on the authorization granted by the Annual Shareholders' Meeting of United Internet AG on May 31, 2012 regarding the acquisition and use of treasury shares, and with the approval of the Supervisory Board, the Management Board reduced the company's capital stock in two stages from € 215 million to € 194 million in the first quarter of 2013. To this end, an initial amount of 15 million shares (resolution and ad-hoc announcement of January 7, 2013) and in a second stage 6 million shares (resolution and ad-hoc announcement of February 1, 2013) were cancelled from the company's stock of treasury shares which had been purchased in the course of share buyback programs. The number of shares issued decreased correspondingly from 215 million shares to 194 million shares. Issued shares continued to represent a notional share of capital stock of € 1.00 each. Following the two **share cancellations**, United Internet temporarily held no more treasury shares.

With a resolution adopted on May 23, 2013, the Annual Shareholders' Meeting authorized United Internet AG to buy back treasury shares representing up to 10% of the company's capital stock. The authorization was issued for the period up to November 23, 2014.

On the basis of this authorization, the Management Board of United Internet AG resolved on May 24, 2013 to launch a **new share buyback program**. In the course of this new share buyback program, up to 1,000,000 company shares (corresponding to approx. 0.52% of capital stock) are to be bought back via the stock exchange.

As of September 30, 2013, United Internet held 483,568 treasury shares and thus 0.25% of capital stock.

In the course of fiscal year 2013, United Internet AG purchased a total of 1,376,314 treasury shares which were mostly used for employee stock ownership plans.

As of December 31, 2013, United Internet held 244,265 treasury shares and thus 0.13% of capital stock.

Investor Relations

In fiscal 2013, the Management Board and Investor Relations department of United Internet AG provided institutional and private investors with regular and comprehensive information. Information was provided to the capital market via the quarterly and annual reports, as well as at press and analyst conferences. The company's management and Investor Relations department explained the company's strategy and financial results in numerous one-on-one discussions at the company's offices in Montabaur, as well as at roadshows and conferences in Germany, France, UK, Switzerland and the USA. Around 20 investment banks are in contact with the Investor Relations department of United Internet AG and publish regular studies and comments on the company's progress and share performance. Apart from such one-on-one meetings, shareholders and potential future investors can also receive the latest news on the company around the clock via the company's website (www.united-internet.de).

2.3 Position of the Group

Group's earnings position

Consolidated **sales** of United Internet AG grew by 10.8% from € 2,396.6 million in the previous year to € 2,655.7 million in fiscal year 2013. Sales of the Access segment rose by 12.7%, from € 1,586.1 million in the previous year to € 1,788.3 million, while sales in the Applications segment grew by 7.0% from € 810.2 million to € 867.0 million. **Foreign sales** increased by 11.2% from € 266.9 million in the previous year to € 296.9 million.

In fiscal year 2013, United Internet once again invested heavily in new customer relationships. The number of fee-based **customer contracts** was increased by 1.08 million – or including the Arsys takeover by 1.41 million – to a total of 13.45 million contracts (prior year: 1.18 million).

Despite increased purchases of pre-services in the Access segment as a result of strong customer growth (+820,000 contracts in the reporting period compared to +670,000 in the previous year), as well as the complete recognition of smartphone subsidies for the fast growing Mobile Internet business with a corresponding effect on earnings, and the resulting overall change in the product mix, **consolidated gross margin** was virtually unchanged from the previous year at 34.4% (prior year: 34.3%). As a result of increased sales and an unchanged gross margin, **gross profit** improved by 11.3% from € 822.0 million in the previous year to € 914.5 million.

Sales and marketing expenses grew more slowly than sales, from € 461.7 million (19.3% of sales) last year to € 468.6 million (17.6% of sales).

Administrative expenses also rose more slowly than sales with an increase from € 112.1 million in the previous year (4.7% of sales) to € 120.5 million (4.5% of sales).

Development of key cost items
(in € million)

	2010	2011	2012	2013
Cost of sales	1,226.2	1,375.7	1,574.7	1,741.2
Cost of sales ratio	64.3%	65.7%	65.7%	65.6%
Gross margin	35.7%	34.3%	34.3%	34.4%
Selling expenses	306.2	356.8	461.7	468.6
Selling expenses ratio	16.1%	17.0%	19.3%	17.6%
Administrative expenses	94.7	102.8	112.1	120.5
Administrative expenses ratio	5.0%	4.9%	4.7%	4.5%

In contrast to fiscal year 2013, the earnings figures for fiscal year 2012 were influenced by various **special items**. In 2012, there was a negative effect on consolidated earnings from non-cash impairment charges of United Internet's subsidiary Sedo Holding AG of € 46.3 million (EBIT and EBT effect) and € 0.24 per share (EPS effect). There was also an opposing positive effect in 2012 from the sale of freenet shares amounting to € 17.9 million (EBITDA, EBIT and EBT effect) or € 0.09 (EPS effect).

As in the preceding years, United Internet invested heavily in the establishment, development and marketing of new business fields in fiscal year 2013, focusing in particular on De-Mail, 1&1 MyWebsite and the new top-level domains (nTLDs). Thanks to the better-than-expected performance of **established business fields** (EBITDA of € 515.1 million compared to a forecast of € 500 million), EBITDA-effective investments of € 107.9 million (forecast: approx. € 100 million) could be made in **new business fields**.

As a result, **EBITDA** rose in total by 24.9%, from € 325.9 million (comparable prior-year figure) to € 407.2 million (forecast: approx. € 400 million), and **EBIT** by 34.3% from € 232.7 million (comparable prior-year figure) to € 312.5 million. Earnings before taxes (**EBT**) improved by 33.8%, from € 221.4 million (comparable prior-year figure) to € 296.3 million, while earnings per share (**EPS**) rose by 50.7%, from € 0.71 (comparable prior-year figure) to € 1.07 (forecast: € 1.00 – € 1.10).

Key sales and earnings figures of the Group (in € million)

	2013	2012	Change
Sales	2,655.7	2,396.6	+ 10.8%
EBITDA*	407.2	325.9	+ 24.9%
EBIT**	312.5	232.7	+ 34.3%

* 2012 without positive special items (sale of freenet shares: EBITDA effect: € 17.9 million)

** 2012 without positive special items (sale of freenet shares: EBIT effect: € 17.9 million) and without negative special items (Sedo impairment charges: EBIT effect: € -46.3 million)

Quarterly development (in € million)

	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q4 2012	Change
Sales	629.7	653.3	672.1	700.6	630.0	+ 11.2%
EBITDA*	91.3	83.8	105.4	126.7	88.2	+ 43.7%
EBIT*	68.3	61.1	81.2	101.9	63.5	+ 60.5%

* Q4 / 2012 without positive special items (sale of freenet shares: EBITDA and EBIT effect: € 17.9 million)

Historical development of key sales and earnings figures*
(in € million)

	2010	2011	2012	2013
Sales	1,907.1	2,094.1	2,396.6	2,655.7
Start-up losses**	21.7	42.7	124.1	107.9
EBITDA***	357.7	341.8	325.9	407.2
EBITDA margin	18.8%	16.3%	13.6%	15.3%
EBIT***	271.5	253.0	232.7	312.5
EBIT margin	14.2%	12.1%	9.7%	11.8%

* The sale of the AdLINK Media business in 2009 and the launch of Mobile Internet products in 2010 had a significant impact on the business model, financial position and performance of United Internet. As a result, United Internet's multi-period overview does not begin until 2010.

** Start-up losses = EBITDA-effective start-up losses in new business fields

*** Without special items: 2011 without sale of Versatel shares (EBITDA and EBIT effect: € +23.0 million); 2012 without Sedo impairment charges (EBIT effect: € -46.3 million) and without sale of freenet shares (EBITDA and EBIT effect: € +17.9 million)

Group's financial position

Thanks to the positive development of earnings, **operative cash flow** rose from € 214.1 million in the previous year to € 280.4 million in fiscal year 2013.

Net cash inflows from operating activities increased from € 260.5 million to € 268.6 million.

Net cash outflows from investing activities amounted to € 207.8 million in the reporting period. This resulted mainly from disbursements of € 59.9 million for capital expenditures, as well as from payments for the initial acquisition of shares in affiliated companies of € 130.1 million (Arcsys takeover), and payments for the acquisition of shares in associated companies of € 22.7 million (especially Open-Xchange investment).

There were **net cash inflows from investing activities** of € 1.9 million in the previous year. This resulted mainly from disbursements of € 63.6 million for investments in intangible assets and property, plant and equipment, payments of € 60.2 million for the purchase of shares in associated companies (especially for shares in Versatel's holding company, VictorianFibre Holding & Co. S.C.A.), as well as payments of € 10.0 million for loans granted. These outflows were offset by inflows of € 11.4 million from the disposal of associated companies (sale of investments belonging to the EFF funds), as well as inflows of € 49.3 million from the sale of financial assets (especially freenet shares), and inflows of € 59.8 million from the repayment of a vendor loan by KKR.

Free cash flow (i.e. net cash inflows from operating activities, less capital expenditures, plus payments from disposals of intangible assets and property, plant and equipment) amounted to € 212.0 million – compared to € 204.7 million in the previous year. This demonstrates the Group's ability to consistently

generate high levels of cash while at the same time achieving strong qualitative growth.

Net cash flow for financing activities in fiscal year 2013 was dominated by an outflow for the dividend payment of € 58.0 million (prior year: € 58.1 million), the purchase of treasury shares amounting to € 27.7 million (prior year: € 0), the purchase of further shares in affiliated companies (Sedo Holding) amounting to € 11.9 million (prior year: € 0.6 million) and the net assumption of loans totaling € 39.8 million (prior year: net redemption of loans totaling € 224.3 million).

Historical development of key cash flow figures
(in € million)

	2010	2011	2012	2013
Operative cash flow	238.1	211.9	214.1	280.4
Cash flow from operating activities	290.4	194.8	260.5	268.6
Cash flow from investing activities	-71.2	2.0	1.9	-207.8
Free cash flow*	219.7	142.3	204.7	212.0
Cash flow from financing activities	-240.5	-228.0	-284.4	-60.4
Cash and cash equivalents on December 31	96.1	64.9	42.8	43.3

* Free cash flow is defined as net cash inflows from operating activities, less capital expenditures, plus payments from disposals of intangible assets and property, plant and equipment (for reasons of transparency, free cash flow has been redefined; in previous years, it was defined as net cash inflows from operating activities, plus/minus cash flow from investing activities; the comparative figures reflect the new definition)

Group's asset position

The **balance sheet total** rose from € 1,107.7 million as of December 31, 2012 to € 1,274.7 million on December 31, 2013.

Non-current assets increased from € 821.3 million as of December 31, 2012 to € 974.7 million on December 31, 2013. Within this item, additions to property, plant and equipment and intangible assets of € 59.9 million (mainly for furniture and fixtures, as well as software) were opposed by depreciation and amortization of € 94.4 million. Due to the acquisition of Arsys, goodwill increased from € 356.2 million as of December 31, 2012 to € 452.8 million on December 31, 2013. Shares in associated companies rose from € 90.9 million to € 109.0 million, due in particular to the investment in Open-Xchange.

Current assets increased from € 286.5 million as of December 31, 2012 to € 300.0 million on December 31, 2013. Cash and cash equivalents disclosed under current assets rose slightly from € 42.8 million to € 43.3 million in the reporting period. Despite the expansion of business, trade accounts receivable decreased from € 148.8 million to € 135.5 million due to closing-date effects. Mainly as a result of ongoing Mobile Internet campaigns with new smartphones, inventories were increased from € 25.7 million to € 44.4 million.

Further details on financial instruments used by the Group are provided in point 41 of the notes to the consolidated financial statements.

In fiscal year 2013, **bank liabilities** rose from € 300.3 million to € 340.0 million. **Net bank liabilities** (the balance of bank liabilities and cash and cash equivalents) increased over the same period from € 257.5 million to € 296.7 million. This rise was due in particular to share purchases (Arsys and Open-Xchange).

As of December 31, 2013 – and thus after the two share cancellations in the first quarter of 2013 – United Internet held 244,265 **treasury shares** (December 31, 2012: 20,662,202 treasury shares).

The Group's **equity ratio** rose from 17.9% as of December 31, 2012 to 24.2% as of December 31, 2013.

Further details on the objectives and methods of the Group's financial risk management are provided under point 43 of the notes to the consolidated financial statements.

Historical development of key balance sheet items
(in € million)

In € million	2010	2011	2012	2013
Total assets	1,271.3	1,187.0	1,107.7	1,274.7
Cash and cash equivalents	96.1	64.9	42.8	43.3
Shares in associated companies	84.1	33.6*	90.9	109.0
Property, plant and equipment	108.7	110.9	109.2	116.2
Intangible assets	221.4	187.4	151.8	165.1
Goodwill	402.9	401.3	356.2	452.8
Liabilities due to banks	369.4	524.6**	300.3**	340.0
Capital stock	240.0	215.0	215.0	194.0
Treasury stock	241.0	270.8	263.6	5.2
Equity*	382.4	154.8***	198.1	307.9
Equity ratio	30.1%	13.0%	17.9%	24.2%

* Sale of Versatel shares (2011); repurchase of Versatel shares via Versatel's holding company (2012)

** Increase due to share buybacks (2011); repayment of loans (2012)

*** Decrease due to share buybacks (2011)

Management Board's overall assessment of the current business situation

The macroeconomic conditions in the target countries of the United Internet Group varied strongly during the reporting period. Whereas forecasts for the North American target countries Canada, Mexico and the USA were downgraded due to their worse-than-expected development during the year, the eurozone and Germany appear to be on course for recovery – despite the ongoing risks.

The German ICT market performed worse than originally expected in fiscal year 2013. Against this backdrop, the sector association BITKOM already downgraded its growth forecast during the year from 1.4% to 0.1% and ultimately had to confirm a decline in revenue of 0.6%.

Despite weaker overall demand in all target countries, and a generally poorer-than-expected sector trend, United Internet enjoyed further dynamic growth in fiscal year 2013 with the addition of 1.41 million customer contracts (of which 1.08 million organic) to 13.45 million, revenue growth of 10.8% to € 2.656 billion and an increase in EBITDA of 24.9% to € 407.2 million. At the same time, the company once again invested heavily in the establishment and development of new business fields (EBITDA-effective start-up losses of € 107.9 million) in order to tap sustainable future growth potential. With the milestones in customer contracts, sales and earnings reached in fiscal year 2013, United Internet was able to meet the forecasts it had upgraded during the year and even surpass them in some cases.

This development against the current macroeconomic and sector-specific trend highlights the benefits of United Internet's business model based predominantly on electronic subscriptions with fixed monthly payments and contractually fixed terms. This ensures stable and predictable revenues and cash flows, offers protection against cyclical influences and provides the financial scope to grasp opportunities in new business fields and new markets – organically or via acquisitions. Even in recession-hit Spain, for example, United Internet achieved further organic growth in customer contracts in fiscal year 2013 as well as additional growth from the acquisition of its Spanish competitor Arsys.

The financial position of United Internet AG also proved very stable in fiscal year 2013. As in the previous year, a high level of free cash flow in excess of € 200 million was generated.

The change in the Group's asset position was due in particular to the acquisition of Spanish competitor Arsys.

All in all, the Management Board believes that the United Internet Group is well placed for its further corporate development and is optimistic about its future prospects.

2.4 Position of the company

Earnings of United Internet AG

In the period under review, **sales** of United Internet AG amounted to € 5.0 million (prior year: € 3.2 million) and mostly comprised services and rent charged to the Group's subsidiaries.

Other operating income amounted to € 5.7 million and resulted mainly from a hedging transaction. Other operating income in the previous year totaled € 15.9 million and resulted mainly from income in connection with a hedging transaction (€ 4.1 million) and from the sale of shares in freenet AG (€ 11.3 million).

The rise in **personnel expenses** from € 5.2 million in the previous year to € 24.2 million in fiscal year 2013 results from the increase in the intrinsic value of SARs due to the strong performance of the United Internet share.

Income from profit transfer agreements with 1&1 Internet AG and 1&1 Telecommunication AG amounted to € 272.2 million in the reporting period (prior year: € 159.8 million). In the previous year, the corresponding income was burdened by the change in transfer pricing for certain subsidiaries of the sub-group 1&1 (extraordinary expenses of € 121.6 million).

Expenses for loss assumptions of € 24.0 million (prior year: € 2.3 million) mainly comprise the compensation expense of United Internet Ventures AG.

The parent company's **result from ordinary activities** amounted to € 208.8 million, following € 153.7 million in the previous year.

Income taxes of € 94.6 million refer to current taxes for corporate income tax and the solidarity surcharge, as well as trade tax. Due to the results of the tax audit for 2006 to 2008 completed in the previous year, as well as the consequential effects and assessments for future years, there were also out-of-period tax expenses of € 3.7 million.

The parent company's **net income** reached € 110.4 million – following € 71.5 million in the previous year.

Assets and financial position of United Internet AG

The parent company's balance sheet is mainly influenced by **shares in affiliated companies** amounting to € 1,097.6 million (prior year: € 1,105.6 million).

Disposals of investments resulted from the transfer of shares in the parent company of Versatel GmbH, VictorianFibre Holding & Co. S.C.A. (€ 59.6 million) to 1&1 Telecommunication AG and a resulting reclassification to the item shares in affiliated companies. There was an opposing effect on shares in affiliated companies from the sale of shares in Sedo Holding AG to United Internet

Ventures AG amounting to € 67.6 million.

Bank liabilities of United Internet AG rose from € 287.0 million to € 343.0 million in fiscal year 2013, due in particular to the acquisition of Arsys. These bank liabilities mainly comprise a revolving syndicated loan, of which € 320 million had been drawn as of the balance sheet date (prior year: € 215.0 million).

The **equity ratio** increased from 65.6% in the previous year to 66.1% as of December 31, 2013.

Cash flow of the parent company's financial statements is dominated by cash flows from the profit transfer agreement with the operating company 1&1 Internet AG and the assumption of financial liabilities. Further details are provided in the notes to the consolidated financial statements.

Management Board's overall assessment of the current business situation of United Internet AG

Due to its role as the Group's holding company, the economic position of United Internet AG at parent company level is mainly influenced by its investment result. The key driver of this result is the profit transfer agreement with subsidiary 1&1 Internet AG. The above statements on the Group's economic position therefore also apply qualitatively for United Internet AG itself.

2.5 Significant non-financial performance indicators

United Internet AG believes that its entrepreneurial activities are not solely restricted to the pursuit and implementation of economic objectives, but also involve a commitment and responsibility towards society and the environment.

United Internet assumes this responsibility in a variety of ways. The most important aspects are summarized in the following sections.

Sustainable business policy

The United Internet Group is committed to pursuing a sustainable business policy. This sustainability is illustrated in particular by its high level of investment in customer relationships and new business fields and thus in future growth.

In its fiscal year 2013, United Internet once again invested heavily in customer growth and added 1.08 million customer contracts, or even 1.41 million including the Arsys takeover, (prior year: 1.18 million) to reach a total of 13.45 million contracts.

In addition to these fee-based contracts, United Internet also operates 31.51 million free accounts (prior year: 31.56 million) at its data centers that are refinanced via advertising revenue. In view of the market saturation for e-mail already reached in Germany, further growth of these free accounts is only possible to a limited extent.

United Internet therefore manages a total of 44.96 million customer accounts (prior year: 43.60 million) globally.

Development of customer relationships (in million)

	2010	2011	2012	2013
Growth of "fee-based contracts"	+0.61	+0.91	+1.18	+ 1.41**
Growth of "free accounts"	+1.70	+2.80*	+1.00	- 0.05
Growth of "total accounts"	+2.31	+3.71*	+ 2.18	+ 1.36**

* Incl. 1.5 million free accounts from the takeover of mail.com

** Inc. 0.33 million fee-based contracts from the takeover of Arsys

With the launch of the DSL quality drive in 2009 and the introduction of the 1&1 Principle in 2012 and its international rollout in 2013, United Internet has invested heavily in customer retention and customer satisfaction, as well as service quality. With the 1&1 Principle, the United Internet brand 1&1 gives customers five clear product-related performance promises. These include, for example, a one-month test phase or – in the case of DSL and mobile products – overnight delivery of hardware and on-site, next-day replacement of faulty equipment, as well as – for cloud products – a monthly product upgrade or downgrade and geo-redundancy for maximum data security.

In addition to its investments in customer relationships, United Internet also uses the Group's strong earnings power and high cash generation to set up and develop new business fields and drive its internationalization.

In the reporting period, our new business fields – with which we also aim to tap new target groups – focused on De-Mail, 1&1 MyWebsite and the new top-level domains (nTLDs). In the field of internationalization, the main activities were the establishment of our business in Mexico, the international rollout of 1&1 MyWebsite and increasing international awareness of the 1&1 brand.

In fiscal year 2013, United Internet invested around € 107.9 million (prior year: € 124.1 million) in new business fields and thus in sustainable growth.

Investment in new business fields
(in € million)

	2010	2011	2012	2013
Start-up losses*	21.7	42.7	124.1	107.9

* EBITDA-effective start-up losses

Employees

The rapidly developing internet market represents a considerable challenge for employees and thus for the HR policy of United Internet. The company meets this challenge primarily by actively nurturing its junior staff, promoting the targeted development of managers and offering a variety of tailored development activities for all employees.

As a result of the expansion of business, the number of employees increased once again in fiscal year 2013. As of December 31, 2013, United Internet employed a total of 6,894 people – an increase of 10.2% over the previous year (6,254 employees).

There were 2,191 employees in the Access segment, 4,669 in the Applications segment and 34 employed at the Group's headquarters.

Headcount at the non-German subsidiaries increased by 22.1%, from 1,350 people in the previous year to 1,649.

Headcount development (by segment and domestic/foreign)

	2010	2011	2012	2013	Change over 2012
Employees, total	5,018	5,593	6,254	6,894	+ 10.2%
thereof domestic	4,019	4,375	4,904	5,245	+ 7.0%
thereof foreign	999	1,218	1,350	1,649	+ 22.1%
Access segment	1,780	1,794	1,928	2,191	+ 13.6%
Applications segment	3,211	3,771	4,292	4,669	+ 8.8%
Headquarters	27	28	34	34	+/- 0%

Personnel expenses rose by 11.3%, from € 275.1 million in the previous year to € 306.1 million.

Development of personnel expenses (in € million)

	2010	2011	2012	2013	Change over 2012
Personnel expenses	202.9	230.1	275.1	306.1	+ 11.3%
Personnel expense ratio	10.6%	11.0%	11.5%	11.5%	

Sales per employee, based on annual average headcount, amounted to € 404 thousand in fiscal year 2013 and was thus virtually unchanged from the previous year (2012: € 405 thousand).

Targeted staff support and ongoing development

In order to give all employees at all locations, in all divisions, and in all functions the same opportunities and possibilities, a transparent and group-wide framework as well as standard programs and support measures have been defined in the field of staff development. Employees can progress within their department by taking on successively more responsibility and tasks. Transfers between different functions are also possible. Once employees have reached the highest competency level ("senior") for their respective function, two alternative career models are offered: the "management track" and the "expert track". Whereas employees choosing the "management track" gradually assume more and more staff responsibility, "experts" have specialist knowledge and are top performers, "know-how owners", and advisors in their specific field, but are not given responsibility for staff. Both the management and expert tracks are "permeable", i.e. horizontal movement is also possible and an expert can become a manager and vice versa. In addition to support within a level and the next vertical step, there are thus also horizontal career possibilities within the Group, which enable staff to grow into a new role – in their own division or even across divisions. All paths are accompanied by specific programs as well as individual personnel development measures.

United Internet also offers all employees an extensive range of training opportunities. In addition to seminars and courses on general – mostly soft skill – topics, staff are also encouraged to enhance their hard skills with professional training and vocational certificates specific to their particular functions. Further development programs are offered for staff with exceptional abilities and potential in all areas of the company. Such employees are then accompanied through a structured program of individual development and training plans in order to prepare them for their future personal challenges, and those of the company (MyWay+ for staff and 1&1 MOVE for management and experts). With the aid of junior management programs, such as the 1&1 Graduate or Master+ plans, United Internet develops young talents fresh from university from an early stage. The main target is to be able to recruit and train future managers and specialists from within the company.

Thanks in part to the measures described above, the United Internet Group was able to recruit over 70% of managers from within its own ranks in fiscal year 2013.

United Internet AG has once again been named as a top employer in 2014. Based on an independent study of the Top Employers Institute, United Internet was awarded the “TOP Employers Germany” certification – as in the preceding years. Certification is only awarded to organizations which offer staff attractive working conditions. Assessment is based on career opportunities, employer benefits, working conditions, training and development opportunities, and the corporate culture.

Training held in high regard

The United Internet Group also attaches great importance to the field of education and training. United Internet trains young people to meet its future needs and offers them a successful start to their professional lives. The company currently offers apprenticeships in commercial and technical professions, including IT specialist (application development/systems integration), IT systems clerk, dialogue marketing clerk, marketing communication clerk, commercial clerk and media designer. Over a three-year training period, all participants experience a wide variety of different company departments and take part in numerous events and workshops. The apprentice workshops at the facilities in Karlsruhe and Montabaur have proved especially successful. Technical apprentices in particular spend part of their training period in the workshops in order to learn the basics for their later careers.

149 young people were serving their apprenticeships with Group companies at year-end 2013. After successfully passing their examinations, United Internet endeavors to offer jobs to as many apprentices as possible and to make an attractive offer to every graduate. In fiscal year 2013, 26 of 29 apprentices were given full-time jobs.

In cooperation with Baden-Wuerttemberg Cooperative State University (Duale Hochschule Baden-Württemberg - DHBW), United Internet also offers degree courses in Applied Computer Sciences, Information Management, Business Administration / Accounting and Business Administration / Services Marketing at the universities of Karlsruhe and Mannheim.

Moreover, United Internet is a sponsor of the "Germany Scholarship" program, in which companies and the state play an equal role in promoting future graduates and helping them complete successful and challenging degree courses. The Germany Scholarship program supports students whose achievements promise future excellence in their studies and careers. Since the program was launched in 2011, United Internet has sponsored students at the two elite universities LMU and TU Munich.

Diversity

Without the individual strengths of its employees, United Internet would not be what it is today – an internationally successful, innovative company on track for growth. United Internet attaches great importance to the constructive use of diversity management and the handling of social differences between its employees.

United Internet's corporate culture is based on mutual respect and a positive attitude toward individual differences with regard to culture, nationality, gender, age and religion – in other words, everything that makes the company's employees unique and distinctive. A work force composed of diverse personalities offers ideal conditions for creativity and productivity. The resulting potential for new ideas and innovation strengthens United Internet's competitive position and enhances its opportunities in future markets. In accordance with this principle, the company strives to find the field of activity and function for each employee which allows them to fully exploit their individual potential and talents. In addition to productivity, diversity also helps raise the general level of satisfaction among employees. These are key reasons for many applicants to select their future employer. As United Internet's customers also have a wide variety of needs and wishes, they appreciate a business partner who can live up to their own diversity.

However, the promotion of diversity is not simply a one-size-fits-all solution. Employees and applicants are recruited, employed and promoted on the basis of objective criteria, such as skills, aptitude and expertise. In corporate divisions in which women are structurally under-represented, United Internet seeks to raise their representation provided they have the same qualifications, skills and suitability. However, the company always decides on a case-by-case basis.

Employees by gender

	Dec. 31, 2013
Women	36%
Men	64%

Employee age profile

	Dec. 31, 2013
under 30	30%
30 – 39	46%
40 – 49	20%
over 50	4%

The average age of the United Internet Group's employees at the end of fiscal year 2013 was around 34.9.

Employees of United Internet AG work in an international environment at over 30 sites around the world.

Employees by country

	Dec. 31, 2013
Employees, total	6,894
Germany	5,245
France	23
UK	210
Philippines	468
Romania	289
Spain	329
USA	306
Other	24

Green IT

In the wake of the global climate debate and rising energy costs, the term "Green IT" is being used increasingly in the computer industry. The term basically comprises all measures that contribute toward reducing a company's CO₂ emissions and energy consumption.

The ICT sector makes a significant contribution to global added value and is thus a strong economic factor. At the same time, it also emits a significant amount of CO₂ and consumes a lot of electricity. For internet service providers like United Internet, this applies in particular to the data centers where millions of cloud applications are managed for private and commercial users.

United Internet has been using electricity from renewable energy sources at its data centers in Germany since December 2007. The servers at our German data

centers in Karlsruhe and Baden Airpark, for example, are powered 100% by electricity from three Norwegian hydroelectric power plants supplied by Stadtwerke Karlsruhe. Servers at our data centers in the USA were also converted to climate-neutral electricity in 2008 (with a mixture of 90% hydroelectric and 10% wind power).

The main elements of our energy-saving efforts at data centers in Germany are:

- An intelligent cooling system. The warm cooling water is first led through open-air coolers on the roof of the data center that do not require energy-hungry compressors and use the “natural” outdoor temperature for cooling.
- The server hardware. The bulk of our computers are built-to-order for United Internet. We leave out unnecessary components and specify, for example, energy-saving processors and power supplies with low heat loss. This means that less heat is radiated and data rooms do not have to be cooled as intensively.
- The software used. The webhosting operating system used by United Internet is our own development, based on Linux. The modification enables us to manage the data of several thousand customers on a single computer and at the same time and thus utilize our resources as sensibly as possible.
- The virtualization. The server hardware used in data centers is often only utilized at an average rate of 15% to 25%. With the aid of virtualization, efficiency can be increased significantly – thus saving energy.

Social responsibility

“United Internet for UNICEF” was set up in September 2006 as an independent foundation under German civil law. The foundation primarily supports projects of UNICEF, the United Nation’s Children’s Fund. We carefully select projects from the wide range of UNICEF topics and present them on the high-reach portals of the United Internet Group (1&1, GMX und WEB.DE) in order to attract as many donors as possible – for the particular project or as long-term UNICEF sponsors.

The single or repeat donations gained via United Internet’s portals are doubled by United Internet for the specific projects and are passed on 100% to UNICEF – thanks to the voluntary work of all foundation staff.

There were several reasons for us to set up our own foundation devoted principally to supporting UNICEF:

UNICEF makes a sustainable improvement to the lives of children. True to the principle of “Helping People Help Themselves”, UNICEF develops national programs around the world focusing on education, health, AIDS and child protection. UNICEF involves the local population in its development work and supports them in such a way that they can look after themselves and their children.

UNICEF provides long-term aid, but also offers fast and reliable help in emergency situations. In the wake of earthquakes, floods or wars, UNICEF provides children with clean drinking water and drugs, sets up provisional

schools and offers psycho-social care. UNICEF can draw on its many years of experience and global presence.

UNICEF imposes strict controls on the use of donations. Both the UNICEF representatives in the program countries and the local partners are regularly inspected to ensure that funds are being used exactly as planned.

In 2013, we transferred a new record of almost € 7 million to UNICEF following our appeal for donations to help the victims of the "Haiyan" typhoon in the Philippines.

Since its creation, the foundation has collected € 26.1 million in donations and enlisted around 9,100 active UNICEF sponsors via the 1&1, GMX and WEB.DE portals.

3 Subsequent events

There were no significant events subsequent to the end of the reporting period on December 31, 2013 which had a material effect on the financial position and performance or the accounting and reporting of United Internet AG.

Information on the economic position of the United Internet Group at the time of preparing this Management Report are provided under point 4.3 in the "Forecast report".

United Internet subsidiary Sedo Holding AG held an extraordinary general meeting in Frankfurt/Main on February 3, 2014. The shareholders approved the agenda item "Resolution on the transfer of shares held by the remaining shareholders (minority shareholders) of Sedo Holding AG to United Internet Ventures AG, with registered office in Montabaur (majority shareholder), in exchange for appropriate cash consideration pursuant to Secs. 327a ff. AktG (squeeze-out)". The Commercial Register of the District Court of Cologne entered this resolution in the Commercial Register on March 21, 2014. On entry of this transfer resolution, all shares of the minority shareholders of Sedo Holding AG have been transferred by law to United Internet Ventures AG. The listing of shares of Sedo Holding AG will soon be terminated. Further information on the squeeze-out process of Sedo Holding AG is provided under point 2.2 "Business development" in the "Group investments" section.

On February 19, 2014, United Internet announced that it had acquired – via United Internet Ventures AG – a stake of around 25% in the e-shop specialist ePages in the course of a capital increase.

Based in Hamburg, Germany, ePages GmbH is Europe's market leader in online shop software for small and mid-size companies with 80,000 customers. The cloud solution of ePages enables merchants with no prior experience to create professional online shops. The solutions are suitable for a variety of company sizes and are currently marketed via 100 partner companies (e.g. hosting providers, telecommunication and logistics companies and business directories). This enables partners to tap new e-business revenue streams without having to develop their own shop systems. In addition to the equity stake, ePages and United Internet's subsidiary 1&1 have agreed a long-term cooperation contract for the use of ePages solutions. In the course of this cooperation, there will be a joint technology platform in future for the 1&1 e-shops. The investment in ePages will complement United Internet's own product portfolio of cloud applications for small to mid-size companies.

4 Risk, opportunity and forecast report

The risk and opportunity policy of the United Internet Group is based on the objective of maintaining and sustainably enhancing the company's value by utilizing opportunities while at the same time recognizing and managing risks from an early stage in their development.

The risk and opportunity management system regulates the responsible handling of those uncertainties involved with economic activity.

4.1 Risk report

Risk management

The concept, organization and task of United Internet AG's risk management system are defined by the Management Board and Supervisory Board and documented in a risk manual which is valid for all members of the Group. These requirements are regularly adapted to changing legal conditions and continually developed. The Internal Audit department regularly examines the functioning and efficiency of the risk management system. As part of his statutory auditing obligations for the annual financial statements and consolidated financial statements, the external auditor also examines whether the risk early recognition system is generally suitable for the early identification of risks and developments which might endanger the company. The system complies with statutory requirements regarding risk early recognition systems, as well as with the German Corporate Governance Code. Its design is based on the specifications of the international ISO standard ISO/IEC 31000. In accordance with the regulations of the German Stock Corporation Act, the Supervisory Board also examines the efficacy of the risk management system.

Methods and objectives of risk management

The risk management system comprises those measures which enable United Internet AG to identify, classify in terms of money and scenario, steer and monitor from an early stage all possible risks for the attainment of its corporate objectives with the aid of assessments and early warning systems. The aim of the group-wide risk management system is to provide maximum transparency for management regarding the actual risk situation, its changes and the available options for action so that a conscious decision can be taken to accept or avoid such risks. There is always an established indirect connection to Group-wide risk management via the regular reporting channels throughout the Group and a direct connection for all major divisions. This ensures the completeness of registered risks in the risk management system.

The current risk status is communicated to the Management Board and Supervisory Board four times per year. Sudden important risk occurrences or significant changes in the risk situation trigger an ad-hoc reporting obligation. The respective risk is then communicated immediately to the CFO of United Internet AG, who in turn reports it to the Supervisory Board where necessary. In this way, significant risks can be addressed as quickly as possible. In order to

support the centralized risk management system, additional local risk managers have been installed with monthly reporting in the field of "Technology & Development" (of particular importance for the Group's business success). In order to facilitate the group-wide exchange and comparison of risk information, these local risk managers meet with the Group's central risk management team and – for cross-company issues – with the company-wide, cross-functional managers at regular Risk Manager Meetings. The risk management system established by United Internet AG currently only documents recognized risks. Risks are assessed with their net impact, i.e. effects from measures already implemented are only considered in the continuously updated risk assessment.

Risks for United Internet

Of the total risks identified for the Group, the following sections describe the main risk categories and individual risks from the company's point of view. Assessments which the company's Management Board makes regarding the likelihood of occurrence and the potential impact of the risks described below are provided at the end of this Risk Report.

Strategy

United Internet seeks increasingly international growth in European and non-European markets. As a result, the company faces a growing number of new challenges associated with different cultural backgrounds, different legal requirements, and the ethical and social expectations of customers and international staff with regard to the parent company. For both internal processes, such as the implementation of cross-company and international projects, and customer communications, business success also depends on the precise knowledge and consideration of country-specific characteristics of the parties involved. The company takes this into account by enhancing the cross-cultural skills and awareness of its employees and managers.

Market

Competition

There is intense competition in both the Access and Application segments which may increase further, for example, via the market entry of new major competitors. This would have a negative impact on growth and/or achievable margins.

In the course of diversifying its business model (e.g. launching De-Mail or Mobile Internet), United Internet occasionally enters new, additional markets with major competitors. Such entrepreneurial decisions for new products and business fields generally involve new risks which may result, for example, from the pricing of products or from fraudulent use. United Internet attempts to minimize these risks with the aid of detailed planning based on past experience and external market studies, and by using various partners/suppliers and continually expanding its anti-fraud measures.

Product development

A key success factor for United Internet is the development of new products and services in order to constantly raise the number of our customer contracts and

strengthen customer retention. There is always a risk, however, that new developments might be launched too late on the market or not accepted by the target group. United Internet counters such risks by closely observing market trends and the competition as well as by undertaking product development which constantly responds to customer feedback.

Legal & political

Regulation

In the Access segment, the decisions of the German Federal Network Agency and Federal Cartel Office have an influence on the pricing of broadband internet access tariffs. Price increases of network providers from whom United Internet purchases pre-services for its own customers can have a negative impact on the profitability of tariffs. In the same way, there is also the possibility that a lack of regulation may lead to a deterioration of market circumstances for United Internet. United Internet attempts to counter this increasing regulation risk by cooperating with various pre-service providers and by actively participating in the activities of industry associations.

Despite a falling tendency, there is still a risk that new data protection regulations in the EU and Germany may restrict the evaluation of so-called browser cookies. Such browser cookies enable information to be stored on the client's computer, which is then transmitted to the server if the site is accessed again. Evaluation or accessing of information via such browser cookies is an integral part of online advertising. Any restriction of usage may mean that proprietary technical solutions can only be used under certain conditions. This may impede certain aspects of business in the Applications segment.

Data protection

United Internet stores the data of its customers on the servers of its own and rented data centers. The handling of these data is subject to extensive legal regulations. The company is aware of this great responsibility and attaches great importance and care to data protection. At the same time, however, the possibility can never be excluded that data protection regulations are contravened due to human error or technical weaknesses. By using state-of-the-art technologies, continually monitoring all data-protection and other legal regulations, and involving data protection aspects and requirements as early as possible in product development, the company continually invests in improving the standard of its data security.

Personnel

If United Internet does not effectively manage the manpower resources of its national and international facilities, the company may not be able to run its business efficiently and successfully. It is therefore essential that human resources are effectively controlled so that the company can meet its short- and long-term needs for staff and the requisite expertise.

The company specifically counters this risk with a number of measures. These include succession planning and manpower planning, outsourcing and temporary use of external resources.

Highly skilled employees form the basis for the economic success of United Internet. The competition for skilled and specialist technical and management personnel is intense, however. If we are not capable of attracting, developing and retaining managers and staff with specialist professional and technological knowledge, United Internet will not be able to effectively pursue its business and achieve its growth targets.

Despite these risks, the company regards itself as an attractive employer and is well placed to hire highly skilled specialists and managers with the potential to drive its business success in the future. The company also counters this risk by developing specific skills of its staff and managers. Development activities, mentoring and coaching programs are offered, as well as special programs for high potentials, which are geared to the ongoing development of talent and especially leadership skills.

Further details on our human resources are provided under point 2.5 of this Management Report "Significant financial and non-financial performance indicators" under "Employees".

Fraud

In order to meet the requirements of dynamic customer growth and provide services as quickly as possible in the interests of its customers, United Internet AG has largely automated its order and provision processes – as have many other companies in such mass market businesses. The nature of such automated processes provides possibilities for attacks from internet fraudsters. For example, United Internet AG may suffer damage from automated hosting and domain orders made under false names and not paid for.

The fraudulent use of SIM cards may also incur damage due to large-scale call forwarding or roaming calls, for example.

United Internet attempts to prevent such fraud attacks – or at least to recognize and end them at a very early stage – by permanently expanding its fraud management capabilities, working closely with pre-service providers and taking account of such risks in the design of its products.

Provision of services

Threat potential of the internet

United Internet AG generates its commercial success largely within the environment of the internet. In order to provide products and services, the company uses information and telecommunication technologies (data centers, transmission systems, connection nodes etc.) in its business processes which are closely networked with the internet and whose availability may be endangered by threats from the internet. For example, there is a risk of DDoS attacks (DDoS = Distributed Denial of Service), which may lead to an overloading of technical systems and server downtime. In order to deal with such risks more quickly, the existing monitoring and alarm system, together with the necessary processes and documentation, is continually optimized.

There is also the risk of hacker attacks with the aim of stealing or deleting customer data or using services fraudulently. United Internet counters this risk

with the aid of virus scanners, firewalling concepts, self-initiated tests and various technical monitoring mechanisms.

Over the past years there has been a steady increase in the amount of spam e-mails on the internet. There is a risk that spammer abuse the company's e-mail systems and that these are then blocked by other e-mail providers. In order to counter this risk, various precautions are taken to keep spam to a minimum. United Internet's active participation in cross-border working groups also enables it to play a role in the ongoing development of mail security standards, for example.

The threat potential of the internet represents the largest threat group for United Internet with regard to its effects, which are all monitored by numerous technical and organizational measures. Of particular relevance in this respect are the operation and continuous improvement of a security management system and the steady enhancement of system resilience.

Use of hardware and software

United Internet's products and related business processes are based on a complex technical infrastructure and a number of success-critical software systems (servers, customer relationship databases and statistics systems etc.). Constantly adapting this infrastructure to changing customer needs leads to greater complexity and regular changes. In addition to major events like the migration of databases, this may lead to various disruptions or defects. Should this affect our business systems or their databases, for example, daily account debiting may be delayed or no longer possible. Should this affect our performance systems, for example, United Internet may not be able to provide its customers with the promised service, on a temporary or longer-term basis. The company meets these risks by making targeted adjustments to the architecture, introducing quality assurance measures, and establishing spatially separated (geo-redundant) core functionalities.

For the operation of systems, there is also a risk of targeted attacks from inside and outside the company, e.g. from hackers or manipulation by staff with access rights, which may result in non-availability or a deterioration of services. In order to counter this risk, the company takes a wide variety of software- and hardware-based safety precautions to protect the infrastructure and its availability. By dividing responsibilities, the company has made sure that activities or business transactions involving risks are not carried out by single employees but on the basis of the "double-check principle". Manual and technical access restrictions also ensure that employees may only operate within their particular area of responsibility. As an additional precautionary measure against data loss, all data are regularly backed up and stored in separate, i.e. geo-redundant, data centers.

Complexity in development

The growing demands placed on the development of the overall portfolio by the ever-increasing complexity and interoperability of the products offered necessitate a higher degree of coordination for the internal work processes of United Internet. The particular challenge is to ensure quality standards especially in view of fast-changing market events which require the maintenance of a usually high-performance and robust development component.

A further aspect in this context is the preservation and expansion of core skills within the company for the development of the product portfolio. In the case of time-critical projects, for example, the use of highly specialized service providers may lead to additional expenses and negative consequences – such as the delay of planned campaigns, or similar security vulnerabilities etc. – if these were temporarily unavailable.

The company minimizes these risks by continuously developing and enhancing its internal processes, pooling and retaining its experts and key personnel, and continuously improving the organizational structures of the development components. When selecting and controlling strategic outsourcing partners, care is taken to ensure that their reliability and expertise is proven in accordance with international criteria and no partnerships are formed for critical business areas which could not be maintained without delay by skilled staff within the company.

Additional disclosures on risks, financial instruments and financial risk management

The main financial liabilities incurred by the parent company United Internet AG for the financing of its activities include bank loans, overdraft facilities and other financial liabilities.

United Internet AG holds various financial assets which result directly from its business activities. They consist mainly of shares in affiliated companies and investments, as well as receivables from affiliated companies. As of the balance sheet date, the company mainly held primary financial instruments and derivative financial instruments from interest hedging agreements.

The aim of financial risk management is to limit risks through ongoing operating and financial activities. The company is hereby exposed to certain risks with regard to its assets, liabilities and planned transactions, especially liquidity risks and financial market risks, as described below.

Liquidity

The general liquidity risk of United Internet consists of the possibility that the company may not be able to meet its financial obligations, such as the redemption of financial debts. The company's objective is to continually cover its financial needs and secure flexibility, for example by using overdraft facilities and loans.

Our group-wide cash requirements and surpluses are managed centrally by our cash management system. By netting these cash requirements and surpluses within the Group, we can minimize the amount of external bank transactions. Netting is managed via our cash pooling process. The company has established standardized processes and systems to manage its bank accounts and internal netting accounts as well as for the execution of automated payment transactions.

In addition to operating liquidity, United Internet also holds other liquidity reserves, available at short notice. These liquidity reserves consist of syndicated credit lines with varying terms.

The company has no significant concentration of liquidity risks at present.

Financial covenants

The company's existing credit lines are tied to so-called financial covenants. An infringement of these covenants may cause the lender to terminate the financial arrangement and demand immediate repayment of the amounts drawn. The covenants contained in the loan agreements of United Internet require the company to maintain a specified net financial debt-to-EBITDA ratio and a specified EBITDA-to-interest ratio. These ratios are used to calculate the relative burden which the financial liabilities (e.g. from interest payments) place on the company. In view of the far superior ratios of United Internet at present, the probability of infringement is regarded as low. Compliance with the covenants is regularly monitored by the company's Management Board.

Financial market

The activities of United Internet AG are exposed in particular to financial risks from changes in interest rates, exchange rates and stock exchange prices.

▪ Interest

The company is fundamentally exposed to interest risks as the major share of its borrowing bears variable interest rates with varying terms. In order to hedge against such interest risks, a number of interest hedging agreements have been concluded over the past few years.

As part of its liquidity planning, the company constantly monitors the various investment possibilities and debt conditions. Any borrowing requirements are met by using suitable instruments to manage liquidity. Surplus cash is invested on the money market to achieve the best possible return. Due to developments on the global finance markets, the interest risk remained largely unchanged.

Market interest rate changes might have an adverse effect on the interest result and are included in our calculation of sensitive factors affecting earnings. In order to present market risks, United Internet has developed a sensitivity analysis which shows the impact of hypothetical changes to relevant risk variables on pre-tax earnings. The reporting period effects are illustrated by applying these hypothetical changes in risk variables to the stock of financial instruments as of the balance sheet date.

▪ Currency

United Internet's currency risk mainly results from its operations (if revenue and/or expenses are in a currency other than the Group's functional currency) and its net investments in foreign subsidiaries. In the period under review, there were no foreign exchange risks with a significant impact on the cash flows.

▪ Stock exchange prices (valuation risk)

A stock exchange risk mainly results from investments in listed companies. These investments are carried at cost. Should the (proportional) stock exchange value of an investment permanently lie below its acquisition cost, the company recognizes an impairment of the financial instrument in its income statement.

Capital management

In addition to the legal provisions for stock corporations, the company has no further obligations to maintain capital according to its statutes or other agreements. The key financial indicators used by the company are mainly performance-oriented (sales, EBITDA, EBIT, EPS). The targets, methods and processes of capital management are thus subordinate to these performance-oriented financial indicators.

In order to maintain and adapt its capital structure, the company can adjust dividend payments or pay capital back to its shareholders, purchase treasury shares and where necessary place them again or issue new shares. As of December 31, 2013 and December 31, 2012, no changes were made to the company's targets, methods and processes.

Taxes

In fiscal year 2012, the sub-group 1&1 made changes to its internal transfer pricing system for certain subsidiaries. For United Internet AG as parent company, there are risks in respect of profits already taxed at the level of a UK subsidiary with regard to subsequent taxation of this income in Germany. Depending on the outcome of the expected mutual agreement procedures, this may lead to an additional tax burden at the level of United Internet AG (as parent company). Should this occur, the additional tax expenses at the level of United Internet AG (parent company) would be opposed by compensatory effects from tax rebates at the level of the UK subsidiary.

Management Board's overall assessment of the Group's risk position

The assessment of the overall level of risk is based on a consolidated view of all significant risk fields and individual risks, also taking account of their interdependencies.

From the current perspective, the main challenges focus on the areas of potential threats via the internet, the use of hardware and software, political and legal risks, as well as risks from the market and fraud.

The further expansion of its risk management system enables United Internet to limit such risks to a minimum, where sensible, by implementing specific measures.

There were no risks which directly jeopardized the continued existence of the United Internet Group in the fiscal year 2013 nor at the time of preparing this Management Report, neither from individual risk positions nor from the overall risk situation.

Probability of occurrence / possible impact of company risks

	Probability of occurrence	Possible impact
Risks in the field of strategy		
Internationalization	High	High
Risks in the field of market		
Competition	High	High
Product development	Low	High
Risks in the field of law & politics		
Regulation	High	Very high
Data protection	Very low	High
Risks in the field of personnel		
Personnel	Very low	Low
Risks in the field of fraud		
Fraud	High	Low
Risks in the field of service provision		
Threat potential of the internet	Low	Extremely high
Use of software and hardware	High	High
Complexity in development	Low	High
Risks in the field of financial instruments and financial risk management		
Liquidity	Very low	Very low
Financial covenants	Very low	Very low
Financial market	Low	High
Capital management	Very low	Very low
Taxes	Very low	Very low

Assessment categories of company risks in ascending order

Probability of occurrence	Possible impact
Very low	Very low
Low	Low
High	High
Very high	Very high
	Extremely high

4.2 Opportunity report

Opportunity management

Opportunity management is based on strategic planning and the resulting measures for the development of products and their positioning for various target groups, markets and countries during the product life cycle. The Group Management Board, as well as the operative management level of the respective business segments in the form of Divisional Managers and Managing Directors, have the direct responsibility for the early and continual identification, assessment, and steering of opportunities. The management team of United Internet AG makes extensive use of detailed evaluations, models and scenarios on current and future trends regarding sectors, technologies, products, markets/market potential and competitors in the Group's fields of activity. The potential opportunities identified during these strategic analyses are then examined with regard to the critical success factors and existing external conditions and possibilities of United Internet AG in planning discussions between the Management Board, Supervisory Board and operational managers before being implemented in the form of specific measures, targets and milestones. The progress and success of these measures is continually monitored by operational management and the Managing Directors and Management Board members of the respective companies.

Opportunities for United Internet

United Internet's stable and largely non-cyclical business model ensures predictable revenues and cash flows, thus providing the financial flexibility to grasp opportunities in new business fields and markets – organically or via acquisitions.

Broad strategic positioning in growth markets

In view of its broad positioning in current growth markets, the company's purely strategic growth opportunities are clearly apparent: universally accessible, permanently available and increasingly powerful broadband connections are enabling new and more sophisticated cloud applications. From the current perspective, these internet-based programs for home users, freelancers and small companies are likely to be United Internet's growth drivers over the coming years – both as stand-alone products in the Applications segment as well as in combination with fixed-line and mobile access products in our Access segment.

Participation in market growth

Despite the uncertain macroeconomic conditions, United Internet – as well as many of the sector's leading analysts – expects further progress in those markets of importance to the company. United Internet is one of the leading players in these markets. At home and abroad. With its highly competitive Access products, its growing portfolio of cloud applications, its strong and specialized brands, its high sales strength, and already established business relationships with millions of private and business customers (cross-selling and up-selling potential), United Internet is also well positioned to participate in the expected market growth of both its business segments.

Expansion of market positions

United Internet AG is now one of the market leaders in many of its business fields. Based on its existing technological know-how, its high level of product and service quality, the widespread popularity of Group brands such as 1&1, GMX, WEB.DE, united-domains, InterNetX and Fasthosts, its business relationships with millions of private and business customers, and its high customer retention ratio, United Internet sees good opportunities to build on its current market shares.

Entry into new business fields

One of United Internet's core competencies is to recognize customer wishes, trends and thus new markets at an early stage. With its broadly based value chain (from product development and data center operation, to effective marketing, powerful sales organization and active customer support), United Internet is often faster at placing innovations on the market and – thanks to the high level of cash generation in its existing business fields – capable of providing them with strong marketing support.

When new opportunities appear on the horizon, such as De-Mail, United Internet is well prepared and also capable of financing many years of cost-intensive preparation thanks to its strong cash generation in existing business fields. With a market share of some 50% of all German e-mail users, the company is excellently placed to participate in the digital, legally secure post business (especially from “postal charges” and “ad mailings”).

This applies in a similar way to the new top-level domains (nTLDs). United Internet also invested heavily in future growth in this field during fiscal year 2013. Part of the advertising budget earmarked for the international TV advertising of 1&1 MyWebsite was reallocated for an extensive advertising campaign for the new top-level domains (nTLDs). The pre-registrations generated during the campaign can only be successively converted into fee-based customer contracts when the selected ending is available – thus representing an investment in future growth.

Internationalization

Cloud applications can be used anywhere in the world and work on the same principle in Frankfurt as they do in London, Rome or New York. In the past, United Internet has already successfully adapted cloud products – such as the 1&1 Do-It-Yourself Homepage – to various languages and country-specific features and gradually rolled them out in different nations.

Thanks to the high degree of exportability which these products offer, United Internet is already active in its Applications segment in numerous European countries (Germany, Austria, Switzerland, the UK, France, Spain, Italy and Poland), as well as in North America (USA, Canada and Mexico). Further countries and product roll-outs will gradually follow.

4.3 Forecast report

Expectations for the economy

In its updated global economic outlook published in January 2014, the International Monetary Fund (IMF) announced its forecasts for the development of the global economies in 2014 and 2015.

It forecasts that the global economy will grow much faster in the coming years. Despite the positive prospects, however, the IMF does not ignore the risk of new crises. These include low inflation, especially in the euro zone. The Fund also sees an increased probability of deflation, especially as the central banks have little scope for further interest rate cuts. Moreover, it warns central banks against reducing their stimulus packages too hastily.

Specifically, the IMF predicts that the **global economy** will grow by 3.7% in 2014 and 3.9% in 2015 – after growth of 3.0% in 2013.

The IMF believes this growth will be driven by much improved data in the industrialized countries. The developed economies of Europe, North America and Japan are expected to grow by over 2.2% in 2014 and 2.3% in 2015 – compared to 1.3% in 2013. For the emerging and developing countries, the IMF anticipates growth of 5.1% for 2014 and 5.4% in 2015 – compared to 4.7% in 2013.

The IMF is also upbeat about the prospects for United Internet's target markets in North America (the USA, Canada and Mexico). The **US** economy is expected to grow by 2.8% in 2014 and 3.0% in 2015 – following growth of 1.9% in 2013. Growth in **Canada** is likely to reach 2.2% in 2014 and 2.4% in 2015 – after an increase of 1.7% in 2013. And following growth of 1.2% in 2013, the economy in **Mexico** is expected to grow by 3.0% in 2014 and by 3.5% in 2015.

Following a recession of -0.4% in 2013, the IMF forecasts growth of 1.0% and 1.4% for the **eurozone** in 2014 and 2015. Although the IMF sees initial signs of recovery in the eurozone, it does not believe that the crisis has been overcome. According to the IMF report "Jobs and Growth in Europe", the biggest burden is high unemployment in certain countries, but also in the eurozone as a whole. Eurostat calculates that the eurozone's unemployment rate in December 2013 was unchanged at 12.0%. The IMF is convinced that the labor market crisis cannot be ended without strong economic growth. At present, however, this appears a forlorn hope in many eurozone nations. The IMF believes that the situation can only be improved with the aid of sweeping reforms.

Despite the ongoing labor market problems, the IMF is more upbeat about United Internet's European markets. Following growth of 1.7% in 2013, the **UK** economy is set for growth of 2.4% in 2014 and 2.2% in 2015, while **France** is likely to grow by 0.9% in 2014 and 1.5% in 2015, compared to 0.2% in 2013. Mild relief is also forecast for the recession-hit economies of Spain and Italy. The IMF expects growth of 0.6% in 2014 and 0.8% in 2015 for **Spain** (2013: -1.2%), while the **Italian** economy can look forward to growth of 0.6% in 2014 and 1.1% in 2015 (2013: -1.8%).

For United Internet's most important market, **Germany**, the IMF forecasts economic growth of 1.6% in 2014 and 1.4% in 2015, following on from 0.5% in 2013.

Market forecast: GDP development of major economies*

	2013	2014e	2015e
World	3.0%	3.7%	3,9%
USA	1.9%	2.8%	3.0%
Canada	1.7%	2.2%	2.4%
Mexico	1.2%	3.0%	3.5%
Eurozone	-0.4%	1.0%	1.4%
Germany	0.5%	1.6%	1.4%
France	0.2%	0.9%	1.5%
Italy	-1.8%	0.6%	1.1%
Spain	-1.2%	0.6%	0.8%
UK	1.7%	2.4%	2.2%

* Source: International Monetary Fund, World Economic Outlook (Update), January 2014

Market / sector expectations

Further international and national growth is forecast for the IT and telecommunications industry (ICT) in 2014. According to the German industry association BITKOM, the global ICT market will grow by 4.5% to € 2.96 trillion in 2014. BITKOM expects the ICT market in the EU to grow by 1.3% in 2014.

The total market for IT, telecommunications and digital entertainment electronics in Germany is expected to grow by 1.7% in 2014 to € 153.4 billion.

Within the overall market, the IT sector is set to enjoy the strongest growth of 2.8% to € 76.3 billion. The weakest growth is likely to be in the hardware market, which will virtually stagnate with an increase of just 0.2% to around € 21 billion. The main reason is once again the significant decline in sales revenues of business desktop PCs and notebooks, due to falling demand and fierce price competition. Revenues from IT services – such as consulting and outsourcing – are set to grow by 3.2% to € 36.5 billion. The strongest growth is expected in the field of software, which is likely to grow by 5.3% to € 19 billion.

According to the BITKOM forecast, the telecommunications market will experience much slower growth of 0.5% to € 66.2 billion. As in the previous year, however, infrastructure systems can expect stable revenue growth of 3% to € 6.3 billion. There are strongly diverging trends for end-user devices and telecommunications services: bolstered by further strong demand for

smartphones, sales of mobile phones are set to grow by 8.0% to around € 10 billion, while revenues from data and voice services are likely to fall by 1.3% to around € 50 billion.

Following a sharp decline in the previous year, BITKOM expects a recovery in sales of consumer electronics products with revenue growth of 1.9% to € 10.9 billion.

Market forecast: development of ICT market segments in Germany
(in € billion)

	2014e	2013	Change
Total ICT market	153.4	150.8	+ 1.7%
IT sub-market	76.3	74.2	+ 2.8%
Telecommunications sub-market	66.2	65.9	+ 0.5%
Consumer electronics sub-market	10.9	10.7	+ 1.9%

Source: BITKOM

Germany's high-tech companies are also upbeat about their prospects in the coming months. 78% of IT and telecommunications companies surveyed expect rising sales in the first half of 2014. A further 11% expect sales to be unchanged from last year and only 11% of companies expect poorer sales figures. These were the findings of the latest economic survey of the German ICT industry conducted by high-tech industry association BITKOM in February 2014. The companies are also positive about 2014 as a whole: 82% of ICT companies expect rising sales and only 11% expect a decline in business.

Of particular importance to United Internet are the German broadband and mobile internet market in its subscription-financed Access segment and the cloud computing market and German online advertising market in its subscription- and ad-financed Applications segment.

Growth in German broadband market primarily qualitative

In view of the comparatively high level of household coverage of over 80% already achieved – and the trend toward mobile internet – experts continue to forecast only moderate growth for the German broadband market (fixed line-based).

According to the survey "German Entertainment and Media Outlook 2013-2017" of October 2013, PricewaterhouseCoopers expects sales of fixed-line broadband connections to increase by just 0.9% to € 7.65 billion in 2014.

Market forecast: broadband access (fixed-line) in Germany

	2014e	2013	Change
Sales (in € billion)	7.65	7.58	+ 0.9%

Source: PricewaterhouseCoopers

Mobile internet market in Germany

All experts continue to predict dynamic growth for the mobile internet market, however. Following market growth of 5.8% to € 9.1 billion in 2013, BITKOM also expects mobile data services to grow by 5.5% to € 9.6 billion in 2014.

This growth will be driven above all by favorable – and thus for the consumer attractive – prices, as well as by the boom in smartphones and tablet PCs and the respective applications (or apps). BITKOM forecasts further growth of 12.1% to 29.6 million sold smartphones in 2014 (following 26.4 million in 2013).

Market forecast: mobile internet access (cellular) in Germany

	2014e	2013	Change
Sales (in € billion)	9.6	9.1	+ 5.5%

Source: BITKOM / European Information Technology Observatory (EITO)

Cloud computing market

In an update of its study “Forecast Overview: Public Cloud Services, Worldwide” of August 28 2013, Gartner forecasts global growth for Public Cloud Services of 17.5%, from USD 131.1 billion to USD 154.1 billion in 2014.

Gartner also forecasts growth in 2014 for United Internet’s key markets in North America (+21.7% to USD 51.5 billion) and Western Europe (+12.4% to USD 21.8 billion).

Market forecast: cloud computing

(in \$ billion)	2014e	2013	Change
Sales worldwide	154.1	131.1	+ 17.5%
Sales in North America	51.5	42.3	+ 21.7%
Sales in Western Europe	21.8	19.4	+ 12.4%

Source: Gartner, BITKOM / Experton Group

Online advertising market in Germany

Advertisers continued to display a strong willingness to invest in online advertising activities in 2013.

Experts also forecast further growth in 2014. In its study “German Entertainment and Media Outlook 2013 – 2017” of October 2013, PricewaterhouseCoopers expects an increase of 8.4% to € 5.55 billion.

Market forecast: online advertising in Germany

(in € billion)	2014e	2013	Change
Online advertising revenues	5.55	5.12	+ 8.4%

Source: PricewaterhouseCoopers

Expectations for the company

Focus areas in fiscal year 2014

United Internet AG will maintain its policy of sustainable growth in future and continue to invest in new customers, new products and business fields, as well as in its continued internationalization.

In view of its product strategy based on transparency and flexibility, with innovative products offering excellent value for money, United Internet believes it is well positioned in its Access segment. In the fiscal year 2014, contract and revenue growth in this segment is expected to result from the marketing of complete DSL packages, new DSL connections and Mobile Internet products. In the field of DSL connections, we will focus in 2014 on the expansion of V-DSL coverage and the use of the new transmission technology "vectoring" (with speeds up to 100 Mbit/s). For our Mobile Internet products, there will be new tariffs in the course of 2014 based on the inputs of pre-service provider E-Plus.

With its strong and specialized brands, a steadily growing portfolio of cloud applications, and existing relations with millions of small businesses, freelancers and private users, United Internet is also well positioned in its Applications segment to utilize the opportunities offered by cloud computing. In 2014, the company will focus on further expansion in its current target markets with Business Applications products. Key areas are the marketing of new top-level domains (nTLDs) and De-Mail business. In the case of Consumer Applications, the main focus is on secure e-mail communication. Key areas include the marketing of De-Mail accounts and the joint initiative with Deutsche Telekom ("E-Mail made in Germany") launched in August 2013, for which a TV campaign is planned in 2014.

In addition to organic growth, United Internet continuously examines the possibility of company acquisitions and investments (especially in its Cloud Application business). Thanks to its strong cash flow and existing credit lines, United Internet has the necessary funding in place to finance its future growth – whether organic or via acquisitions.

Forecast for fiscal year 2014

Specifically, United Internet expects that the number of fee-based customer contracts will grow by over 0.8 million from a level of 13.45 million contracts on December 31, 2013.

Consolidated sales in fiscal year 2014 are likely to grow by approx. 10% to over € 2.9 billion (prior year: € 2.656 billion).

Taking into account start-up losses in new business fields and advertising expenses for the “E-Mail made in Germany” initiative, EBITDA is expected to grow to approx. € 520 million (prior year: € 407.2 million).

Earnings per share are likely to be between € 1.40 – € 1.50 (prior year: € 1.07).

Free cash flow (defined as net cash inflows from operating activities, less capital expenditures, plus payments from disposals of intangible assets and property, plant and equipment) is expected to exceed € 200 million once again in fiscal year 2014.

Due to its role as a holding company, the earnings of United Internet AG at parent company level are mainly influenced by its investment result. The key driver of this result is the profit transfer agreement with subsidiary 1&1 Internet AG. The above statements on the Group’s earnings therefore also apply qualitatively for United Internet AG itself.

United Internet AG plans to maintain its shareholder-friendly dividend policy based on continuity in the coming years. Dividend payouts will continue to represent 20-40% of net income in the future (unless funds are required for further company development).

Management Board’s overall statement on the anticipated development

Despite the fact that the macroeconomic and sector trends remain uncertain, United Internet AG is upbeat about its prospects for the future. Thanks to a business model based predominantly on electronic subscriptions, United Internet believes it is stable enough to withstand cyclical influences.

And with the investments made over the past few years in customer relationships, new business fields and internationalization, the company has laid a broad foundation for its planned future growth.

United Internet will continue to pursue its sustainable business policy in the coming years.

Marketing and sales activities will focus mainly on Mobile Internet products in fiscal year 2014. In this business, the market shares in Germany are currently being allocated. United Internet aims to participate in the current market growth and achieve above-average growth. United Internet also plans to leverage the strong positioning of its DSL products and capture further market share.

In contrast to the German access market where market shares are being allocated (especially in the Mobile Internet business), our international business with cloud applications promises strong potential, also for the future medium- and long-term growth of the company – thanks to the rising global demand from private users, freelancers, and small to mid-sized companies.

Following a successful start to the year (at the time of preparing this Management Report), the company’s Management Board believes that the company is well on the way to reaching its forecasts for the full year 2014 presented in the table below.

Full-year 2014 forecast for United Internet AG

	Forecast Dec. 31, 2014	Status as of Dec. 31, 2013
Fee-based customer contracts (in million)	> 0.8	13.45
Sales (in € billion)	+ ~10% to > 2.9	2.656
EBITDA (in € million)	~520	407.2
EPS (in €)	1.40 – 1.50	1.07
Free cash flow* (in € million)	> 200	212.0

* Free cash flow is defined as net cash inflows from operating activities, less capital expenditures, plus payments from disposals of intangible assets and property, plant and equipment

Forward-looking statements

This Management Report contains forward-looking statements based on current expectations, assumptions, and projections of the Management Board of United Internet AG and currently available information. These forward-looking statements are subject to various risks and uncertainties and are based upon expectations, assumptions, and projections that may not prove to be accurate. United Internet AG does not guarantee that these forward-looking statements will prove to be accurate and does not accept any obligation, nor have the intention, to adjust or update the forward-looking statements contained in this report.

5 Accounting-related internal control and risk management system

In accordance with Sec. 289 (5) and Sec. 315 (2) No. 5 German Commercial Code (HGB), United Internet AG is obliged to describe the main features of its accounting-related internal control and risk management system in its Management Report.

United Internet AG regards risk management as part of its internal control system, which is based on the internationally recognized framework for internal control systems of the Committee of Sponsoring Organizations of the Treadway Commission (COSO Internal Control – Integrated Framework).

The Supervisory Board of United Internet AG monitors the functionality of the internal control system (ICS). The scope and structure, under consideration of the specific requirements for United Internet AG, are at the discretion and within the responsibility of the Management Board. Within the United Internet Group, the Internal Audit division is responsible for independently auditing the appropriateness, effectiveness and functionality of the internal control system. In order to conduct its duties, Internal Audit has been granted extensive rights with regard to information, examination and access. The audit actions of Internal Audit are based on a risk-oriented audit plan which may also include regular audits of domestic and foreign subsidiaries. In addition, Internal Audit conducts fundamental audits regarding the proper functioning of important inventory and asset stock-taking. In addition, those areas of ICS of relevance for financial reporting are audited with regard to efficiency by the external auditors as part of their risk-oriented audit approach.

The accounting-related ICS is continually being developed and comprises principles, procedures and measures to secure the effectiveness, economic efficiency and compliance of the accounting system and to ensure that the relevant legal regulations are observed.

However, a fundamental aspect of every ICS, irrespective of its particular design, is that it cannot provide absolute safety. This may be due, for example, to incorrect discretionary decisions of individuals, faulty controls or criminal acts. With regard to the accounting-related ICS, there can only be relative but never absolute certainty that material misrepresentations in the accounting are avoided or discovered.

The following statements refer solely to the non-listed, fully consolidated subsidiaries included in the annual financial statements of United Internet AG, for which United Internet AG has the direct or indirect possibility of determining their financial and monetary policy in order to derive a benefit from the activity of these companies.

United Internet AG regards risk management as the total of all measures designed to detect and assess risks, reduce them to an acceptable level, and monitor recognized risks. A risk management system requires organized action to deal suitably with uncertainty and threats and urges employees to utilize the regulations and instruments required to ensure compliance with the risk management principles. In addition to operative risk management, it also

includes the systematic early recognition, management and monitoring of risks. The accounting-related risk management system focuses on the risk of false statements in accounting and external reporting.

Specific accounting-related risks may arise, for example, from the conclusion of unusual or complex transactions. Business transactions which cannot be processed in a routine manner are also exposed to latent risks. It is necessary to grant a limited circle of people certain scope for discretion in the recognition and measurement of assets and liabilities, which may result in further accounting-related risks.

Clearly defined internal controls are embedded into the accounting process with the aid of risk aspects. The respective accounting-related internal control system comprises organizational, preventive and investigative controls, including IT-aided and manual coordination, ordering and payment guidelines, standardized reporting formats, the functional separation of administrative, executive and approval processes, the "four-eye principle", general IT controls, e.g. access rights to IT systems, or change management and its monitoring. In order to ensure the high quality of the accounting-related ICS, the Internal Audit division is closely integrated into all stages of the process.

With the aid of clearly defined organizational, control and monitoring structures, the internal control system enables the recognition, preparation and assessment of company-related issues and their proper representation in consolidated accounting. The Corporate Accounting division is responsible for the management of the accounting processes. Laws, accounting standards and other pronouncements are continually analyzed with regard to their relevance and effect on the annual financial statements. Employees involved in the consolidated accounting process are regularly trained. The Group companies are responsible for the orderly and timely execution of the accounting-related processes and systems and are supported by the Corporate Accounting division accordingly.

6 Disclosures required by takeover law

The following disclosures according to Secs. 289 (4) and 315 (4) German Commercial Code (HGB) represent conditions as of the balance sheet date. As required by Sec. 176 (1) Sentence 1 AktG, the disclosures are explained in the sections below.

Composition of capital

The subscribed capital of United Internet AG as of December 31, 2013 amounts to € 194,000,000 divided into 194,000,000 no-par value, registered shares. Each share entitles the owner to one vote. There are no other share categories. In the case of a capital increase, the commencement of dividend entitlement for new shares may be determined separately from the moment of contribution.

Limitations affecting voting rights or the transfer of shares

There are legal limitations affecting voting rights of certain shares pursuant to Sec. 71b AktG and Sec. 71d S. 4 in conjunction with Sec. 71b AktG. At the end of the reporting period, United Internet holds 244,265 shares representing 0.13% of capital stock.

There are also legal limitations affecting voting rights regarding a conflict of interests pursuant to Sec. 136 (1) AktG for shares held by the Management Board and Supervisory Board .

Among the members of the Management Board, Mr. Ralph Dommermuth held 82,000,000 shares (42.27% of capital stock) as of December 31, 2013. Mr. Norbert Lang held 625,000 shares (0.32% of capital stock) and Mr. Robert Hoffmann held 29,405 shares (0.02% of capital stock).

Among the members of the Supervisory Board, Mr. Michael Scheeren held 500,000 shares (0.26% of capital stock) at the end of the reporting period.

There are no limitations affecting the transfer of shares.

Direct and indirect participations in capital with over 10% of voting rights

The company's CEO, Mr. Ralph Dommermuth, owns 82,000,000 shares or 42.27% of the 194,000,000 shares in United Internet AG as of December 31, 2013. The Management Board is not aware of further participations in capital exceeding 10% of voting rights.

Special rights

Mr. Ralph Dommermuth is personally entitled to nominate a member of the Supervisory Board. This right is exercised by naming a person for the

Supervisory Board to the company's Management Board. The nomination becomes effective as soon as the nominated person declares his acceptance of the Supervisory Board seat to the Management Board. A requirement for the aforementioned nomination right is that Mr. Ralph Dommermuth holds shares himself or via companies affiliated with him pursuant to Sec. 15 ff. German Stock Corporation Law (AktG) representing at least 25% of the company's voting capital and can prove as much to the Management Board on nomination of the Supervisory Board member by providing depository account statements or similar documents. Mr. Dommermuth has so far not made use of this nomination right. The Management Board is not aware of any further shares with special rights.

Appointment and dismissal of Management Board members, amendments to company articles

The appointment and dismissal of Management Board members is determined by Secs. 84, 85 AktG in conjunction with section 1 of the rules of procedure for the Supervisory Board. According to Sec. 6 (1) of the company's articles, the Management Board consists of at least one person. The Supervisory Board appoints and dismisses the members of the Management Board, determines their number and can appoint one member of the Management Board as Chairman. Each amendment of the company's articles requires the adoption of a shareholders' meeting resolution with a majority of at least three quarters of capital represented at the vote. Pursuant to Sec. 22 of the company's articles in conjunction with Sec. 179 (1) Sentence 2 AktG (Changes in capital stock and number of shares), the Supervisory Board is authorized to make amendments to the company's articles insofar as they only concern formulation.

Powers of the Management Board to issue shares

The Management Board is entitled to issue new shares under the following circumstances:

The Management Board is authorized, subject to approval by the company's Supervisory Board, to increase the company's capital stock on one or more occasions before May 26, 2016 by a total of € 112,500,000.00 by issuing new no-par shares for cash and/or non-cash contributions (Authorized Capital 2011). The Management Board is also authorized, in certain cases stated in Sec. 5.4 of the company's articles, to exclude the statutory right of shareholders to subscribe to new shares. This applies in particular in the case of fractional amounts and when granting subscription rights for new shares to bearers of warrants, convertible bonds or warrant bonds. The Management Board is also authorized, subject to the approval of the Supervisory Board, to restrict subscription rights in the case that the issue price of the new shares is not substantially lower than the quoted market price and the issued shares do not exceed in total 10% of capital stock.

The Management Board is authorized, subject to the approval of the Supervisory Board, to exclude subscription rights in the case of a capital increase in return for non-cash contributions, especially in connection with the acquisition of companies, investments or assets.

Capital stock has been conditionally increased by up to a further € 80,000,000.00, divided into 80,000,000 no-par shares (Conditional Capital 2010). The conditional capital increase is earmarked for shares to be granted to bearers or holders of warrant or convertible bonds, which the shareholders' meeting on June 2, 2010 authorized the company or a subordinated Group company to issue in the period ending June 1, 2015, providing the issue is in return for cash and the warrant or convertible bonds are not serviced from the stock of treasury shares or approved capital.

Powers of the Management Board to buy back shares

The authorization of the Annual Shareholders' Meeting granted on May 31, 2012 and originally limited until November 30, 2013 to acquire, sell or cancel treasury shares was cancelled by the Annual Shareholders' Meeting of May 23, 2013 on expiration of May 23, 2013 with a future effect.

In accordance with Sec. 71 (1) No. 8 AktG, the Annual Shareholders' Meeting of May 23, 2013 at the same time authorized the Management Board to acquire, sell or cancel treasury shares of up to ten percent of its capital stock in the period directly following the expired authorization and ending on November 22, 2014.

The authorization may be exercised by the company wholly or in installments, once or several times for the pursuit of one or more purposes; it can, however, also be exercised by dependent or majority-owned corporations of the company or by third parties for the company's or their own account. The authorization may not be used for the purposes of trading with company shares.

United Internet shares may be purchased in all legally permissible manners, especially via the stock exchange and/or by means of a public bid. In the case of a purchase via the stock exchange, the price for the acquisition of United Internet shares (excluding transaction costs) may not be more than ten percent lower or higher than the stock market price.

The price for the purchase of United Internet shares by means of bids can be settled by a cash payment or by transfer of shares in a listed company pursuant to Sec. 3 (2) AktG ("exchange shares").

The Management Board is authorized, subject to the approval of the Supervisory Board, to use these and previously acquired shares for all legally permissible purposes, in particular a sale of treasury shares other than via the stock exchange or by offering to all shareholders or for cash compensation. The authorization to sell for cash contribution is reduced by that proportion of capital stock attributable to shares excluded from subscription rights in direct or corresponding application of Sec. 186 (3) Sentence 4 AktG.

Moreover, the Management Board is authorized to use the acquired treasury shares, subject to the approval of the Supervisory Board, to grant shares to members of the Management Board and other company employees, as well as the management and employees of affiliated companies pursuant to Secs. 15 ff. AktG, should such persons be entitled to subscription on the basis of employee

stock ownership plans. Insofar as treasury shares are to be transferred to members of the company's Management Board, the decision shall be incumbent upon the Supervisory Board.

The Management Board is further authorized to use the acquired treasury shares, subject to the approval of the Supervisory Board, to fulfill conversion and warrant rights or conversion obligations.

The Management Board is also authorized to retire and cancel acquired treasury shares in full or in part, subject to the approval of the Supervisory Board, without any further resolution of the Annual Shareholders' Meeting.

The right of shareholders to subscribe to treasury shares shall be excluded to the extent that these shares are used in accordance with the aforementioned authorizations.

7 Description of corporate governance

As a German public company listed on the stock exchange, the management of United Internet AG is primarily determined by the German Stock Corporation Act (AktG) and the rules set forth in the currently valid version of the German Corporate Governance Code.

The term Corporate Governance stands for responsible corporate management and control geared to long-term value creation. Efficient cooperation between Management Board and Supervisory Board, respect for stockholder interests, openness and transparency of corporate communications are key aspects of good corporate governance.

The Management Board and Supervisory Board of United Internet AG regard it as their duty to secure the company's continued existence and sustainable value creation through responsible corporate governance focused on the long term.

The following report contains the Declaration on Corporate Governance in accordance with Sec. 289a HGB and the Corporate Governance Report of the Management Board and Supervisory Board pursuant to Section 3.10 of the German Corporate Governance Code.

Management and corporate structure

In accordance with its legal status, United Internet AG operates a dual management and monitoring structure comprising two corporate bodies: the Management Board and the Supervisory Board. The third body is the Shareholders' Meeting. All three bodies are committed to serving the company's interests.

The **Supervisory Board** is elected by the Annual Shareholders' Meeting and consisted of three members in fiscal year 2013. The members of the Supervisory Board are generally elected for a period of five years. Members of the Supervisory Board should not generally be older than 70. In accordance with German law, the company's articles and its rules of procedure, the Supervisory Board is in regular contact with the Management Board and monitors and advises it with regard to the management of business, and the company's risk and opportunity management system. The Supervisory Board meets at regular intervals to discuss with the Management Board all matters of relevance to the company regarding strategy and its implementation, as well as planning, the development of business, the risk position, risk management and compliance. Together with the Management Board, it discusses the quarterly and half-year reports before publication and approves annual budgets as well as the annual financial statements of the parent company and the group. In doing so, it also takes the reports of the company's external auditors into account. Its responsibilities also include appointing members of the Management Board as well as determining and regularly monitoring their remuneration. The Supervisory Board conducts regular tests to assess its own efficiency. The members of the Supervisory Board complete the training and

further education measures required for their tasks on their own, but receive appropriate support in this context from the company.

The **Management Board** is the body charged with managing the group's operations and consisted of three persons in fiscal year 2013. The Management Board conducts operations in accordance with its legal and statutory obligations as well as the rules of procedure approved by the Supervisory Board. It is responsible for preparing the quarterly and annual financial statements as well as for appointing key managers within the company. Resolutions are always adopted with a simple majority. Should the vote result in a tie, the Chairman of the Management Board has a casting vote. Decisions of fundamental importance require the approval of the Supervisory Board. The Management Board regularly informs the Chairman of the Supervisory Board. There is also an age limit of 70 for members of the Management Board.

The **Annual Shareholders' Meeting** is the body which formulates and expresses the interests of the shareholders of United Internet AG. At the Annual Shareholders' Meeting, the annual financial statements are presented to the shareholders. The shareholders decide on the appropriation of the balance sheet profit and vote on resolutions concerning other statutory topics. Each share entitles the owner to one vote. All shareholders who register in time and are listed in the Share Register on the day of the Annual Shareholders' Meeting are entitled to attend. Shareholders may also exercise their rights at the Annual Shareholders' Meeting by means of a proxy vote.

Composition of the Management Board and Supervisory Board

In the fiscal year 2013, the **Management Board** of United Internet AG comprised the company's founder Ralph Dommermuth (CEO), Norbert Lang (CFO; with the company since 1994), and Robert Hoffmann (with the company since 2006). Mr. Robert Hoffmann was appointed to the Management Board of United Internet AG on January 1, 2013 as an additional member. In this new position, he supports the CEO with the strategic development of the company and stands in for him whenever necessary.

In the case of new appointments, the Supervisory Board takes account of diversity aspects as defined by the German Corporate Governance Code. In particular, it strives to ensure that women are appropriately represented.

The **Supervisory Board** elected by the Annual Shareholders' Meeting currently comprises Kurt Dobitsch (Chairman), Kai-Uwe Ricke and Michael Scheeren.

The Supervisory Board of United Internet AG is composed in such a way that its members together have the knowledge, skills and professional experience necessary for them to carry out their tasks correctly. The members of the Supervisory Board also have considerable business experience in countries other than Germany.

The Supervisory Board comprises an adequate number of independent members, who have no business or personal relationship with the company or its Management Board. Moreover, these independent members do not exercise

functions on a management body of or perform advisory duties at major competitors.

The German Corporate Governance Code recommends that the Supervisory Board specifies concrete objectives regarding its composition which are to be taken into account when the Supervisory Board makes recommendations to the competent election bodies. The Supervisory Board has not formulated any concrete objectives in this connection. The current members of the Supervisory Board have been elected for the period ending with the Annual Shareholders' Meeting which adopts the resolution to release the Supervisory Board members from their responsibility for fiscal year 2014. As specific candidate proposals for the Supervisory Board do not have to be made until its scheduled re-election at the Annual Shareholders' Meeting in 2015, it does not appear appropriate to already formulate concrete objectives today without knowing the possible changes in the regulatory environment or the company's market conditions. The Supervisory Board will carefully monitor developments and make a timely decision before the scheduled re-election of the Supervisory Board regarding the Code's recommendations on concrete objectives and their implementation as part of the Supervisory Board's proposals to the Annual Shareholders' Meeting and reporting.

Compliance

Compliance is an integral component of corporate and management culture throughout the United Internet Group. For United Internet AG, compliance means ensuring its activities comply with the relevant laws for its business, as well as with its own principles and regulations.

This includes open and fair communication with our employees, customers, business partners, shareholders and the public. As an internet service provider with several million customers and a large number of business partners, United Internet's legally and ethically compliant behavior is vital for retaining the trust of our customers and business associates.

To ensure conduct in line with our corporate culture, the Management Board has introduced a binding framework for the ethical principles and values of the company and defined both values and management guidelines. This "culture of cooperation" provides guidance for employees in their everyday work and creates a secure framework for making the correct decisions. The framework applies equally to the Management Board, directors, managers and all employees.

In the interest of all employees and the company, compliance violations are investigated, resolved and punished by taking the appropriate measures. To this end, the company's Management Board has established the corresponding procedures to ensure compliance with legal and internal regulations, including our values, and to anchor them firmly in the organization.

In accordance with the importance attached to compliance, the company set up a dedicated Compliance Organization in the reporting period. In terms of content, it is headed by the Corporate Compliance Manager and is part of the corporate Legal Department. The Compliance Organization is responsible for the

creation of suitable structures and processes to support the implementation of compliance throughout the company and to efficiently introduce measures. Moreover, the Compliance Organization ensures that there are dedicated contact persons in the company's various units.

Financial disclosures / transparency

It is the declared aim of United Internet to inform institutional investors, private shareholders, financial analysts, employees and the public simultaneously and with equal treatment about the company's situation by means of regular, open and up-to-date communication.

To this end, all important information, such as press releases, ad-hoc announcements and other mandatory disclosures (e.g. directors' dealings and notifications of voting rights), as well as all financial reports, are published in accordance with statutory regulations. In addition, United Internet provides extensive information on its corporate website (www.united-internet.de), where documents and information on Annual Shareholders' Meetings and other economically relevant facts can be found.

United Internet provides shareholders, analysts and the press with four reports each fiscal year on the company's business development and its financial and earnings position. The publication dates of these reports are stated in a binding financial calendar, which the company posts on its website and regularly updates in accordance with legal obligations.

The Management Board also provides immediate information in the form of ad-hoc announcements about any events not known to the public which might significantly affect the share price.

As part of its investor relations activities, the company's management team regularly meets with analysts and institutional investors. We also hold analyst conferences to announce our semi-annual and annual figures, which investors and analysts can also participate in via telephone.

Accounting and auditing

The Group's accounts are drawn up according to the principles of the International Financial Reporting Standards (IFRS). However, the annual financial statements of the parent company – relevant for all dividend and tax matters – are drawn up according to the rules of the German Commercial Code (HGB). The annual financial statements for the parent company and the group are audited by independent auditors. The respective auditing company is selected by the Annual Shareholders' Meeting. Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft was elected to audit the annual financial statements for the fiscal year 2013. The Supervisory Board issues the auditing mandate, determines auditing focal points, approves the auditing fee and examines the independence of the auditors.

Remuneration of Management Board and Supervisory Board

The principles of remuneration for the Management Board and Supervisory Board are presented in section 8 of this Management Report. The disclosure of total remuneration for members of the Management Board and Supervisory Board and its breakdown into fixed and variable compensation components is to be found in section 42 of the notes to the consolidated financial statements.

Stock option plans

The principles of the stock-based compensation plan of United Internet AG are described in the Remuneration Report in section 8 of this Management Report. Further details are provided in section 36 of the notes to the consolidated financial statements.

Directors' Dealings

According to Sec. 15a of the German Securities Trading Act (Wertpapierhandelsgesetz - WpHG), members of the Management Board and Supervisory Board of United Internet AG are legally obliged to declare their purchase and sale of shares in United Internet AG or related financial instruments whenever the transaction conducted by an executive body or related persons reaches or exceeds the amount of € 5,000 within one calendar year.

In fiscal year 2013, the Management Board and Supervisory Board of United Internet AG conducted the following securities transactions (in chronological order):

On May 29, 2013, Mr. Norbert Lang exercised 1,000,000 subscription rights and received in return 388,888 shares of United Internet AG. The total volume amounted to € 8,680k. In addition, 288,120 shares were sold at a price of € 22.07, resulting in a total volume of € 6,359k.

On May 29, 2013, Mr. Robert Hoffmann exercised 125,000 subscription rights and received in return 55,790 shares of United Internet AG. The total volume amounted to € 1,245k. In addition, 55,790 shares were sold at a price of € 21.97, resulting in a total volume of € 1,226k.

On June 18, 2013, Mr. Ralph Dommermuth sold 2,000,000 shares and on June 21, 2013, 1,000,000 shares via RD Holding GmbH & Co. KG at a price of € 22.00 each. The total volume amounted to € 66,000k.

On October 7, 2013, Mr. Michael Scheeren sold 100,000 shares at a price of € 27.73 per share. The total volume amounted to € 2,773k.

On October 10, 2013, Mr. Ralph Dommermuth sold 3,000,000 shares via RD Holding GmbH & Co. KG at a price of € 28.00 each. The total volume amounted to € 84,000k.

On November 20, 2013, Mr. Robert Hoffmann exercised 250,000 subscription rights and received in return 69,405 shares of United Internet AG. The total

volume amounted to € 1,951k. In addition, on November 21, 2013, 100,000 shares were sold at a price of € 28.48. The total volume amounted to € 2,848k.

No further Directors' Dealings were reported to the company.

Further details on shares held by members of the Management Board and Supervisory Board are also disclosed in section 42 of the notes to the consolidated financial statements.

Declaration of conformity with regard to the recommendations of the German Corporate Governance Code in accordance with Sec. 161 German Stock Corporation Act (AktG)

The corporate governance of United Internet is based on the German Corporate Governance Code, which the Government Commission set up by the Federal Justice Minister in September 2001 published for the first time on February 26, 2002. The eleventh and currently valid version of the German Corporate Governance Code was completed on May 13, 2013 and published by the Ministry of Justice in the Federal Gazette (<http://www.bundesanzeiger.de>) on June 10, 2013.

The Code contains three types of standard:

- regulations describing currently valid legal standards in Germany
- recommendations
- suggestions

German corporations are obliged to observe the legal regulations.

With regard to the recommendations, the German Stock Corporation Act (Sec. 161) requires listed companies to publish a declaration of conformity once per year.

Companies are allowed to deviate from the suggestions without the need for disclosure.

On March 5, 2014, the Management Board and Supervisory Board of United Internet AG submitted their current annual declaration of conformity in accordance with Sec. 161 AktG and immediately published it on the company's website (www.united-internet.de), as well as in the Federal Gazette.

In accordance with Section 161 German Stock Corporation Act (AktG), the Management Board and Supervisory Board of United Internet AG declare that:

Since its last Declaration of Conformity issued on March 5, 2013 and until June 9, 2013, United Internet AG complied with the recommendations of the German Corporate Governance Code (the "Code") in the version dated May 15, 2012 ("Code 2012") with the stated exceptions.

United Internet AG complied with the recommendations of the Code in the currently valid version dated May 13, 2013 ("Code 2013") since it came into force on June 10, 2013, and plans to continue to comply with these recommendations with the following exceptions:

Deductibles in the case of D&O insurance policies for Supervisory Board members (section 3.8)

The D&O insurance policy for Supervisory Board members does not include any deductible. United Internet does not generally believe that the motivation and responsibility with which the members of United Internet's Supervisory Board conduct their duties will be improved by such a deductible.

Vertical comparison when setting Management Board compensation (section 4.2.2)

The Code 2013 restated its recommendation of a vertical comparison for compensation. When determining compensation, the Supervisory Board previously took comparisons with the Group's most senior executives into account. The Code 2013 does not state to what extent the new recommendation calls on the Supervisory Board to make decisions and considerations in those cases where there are no changes to Management Board compensation agreements. As a matter of precaution, the company therefore declares its deviation from this recommendation.

Capping Management Board compensation (section 4.2.3 (2) sentence 6)

In contrast to the recommendations first made in the Code 2013, the agreements regarding Management Board compensation do not include any payment caps. As the company cannot make unilateral amendments to compensation agreements, it has deviated from this Code recommendation since June 10, 2013.

Although compensation agreements (service contracts and agreements on Stock Appreciation Rights) include caps for variable components, these are not expressed as a total but as a percentage of a fixed amount. The Code 2013 and its explanations do not clearly state whether such caps, expressed as a percentage of a fixed amount, are still in line with the Code's recommendation. As a matter of precaution, the company therefore declares its deviation from this recommendation.

Committees (section 5.3)

The Supervisory Board has not formed any committees. The Supervisory Board of United Internet AG currently consists of three members and handles in full all tasks of a supervisory board, including the monitoring of the accounting process, the effectiveness of the internal control system, the risk management system and internal audit system, the audit of the Annual Financial Statements, and here in particular the independence of the auditor, the services rendered additionally by the auditor, the issuing of the audit mandate to the auditor, the determination of auditing focal points and the fee agreement, and issues of

compliance. Under these circumstances, the Supervisory Board cannot recognize how the formation of committees would improve the efficiency of its work.

Targets for the composition of the Supervisory Board (section 5.4.1)

The Supervisory Board has not specified any concrete objectives regarding its composition. The current members of the Supervisory Board have been elected for the period ending with the Annual Shareholders' Meeting which adopts the resolution to release the Supervisory Board members from their responsibility for fiscal year 2014. As specific candidate proposals for the Supervisory Board do not have to be made until its scheduled re-election at the Annual Shareholders' Meeting in 2015, it does not appear appropriate to already formulate concrete objectives today without knowing the possible changes in the regulatory environment or the company's market conditions. The Supervisory Board will carefully monitor developments and make a timely decision before the scheduled re-election of the Supervisory Board regarding the Code's recommendations on concrete objectives and their implementation as part of the Supervisory Board's proposals to the Annual Shareholders' Meeting, as well as reporting.

Consideration of the Deputy Chair when setting compensation for Supervisory Board members (section 5.4.6 (1) sentence 2)

When setting compensation for Supervisory Board members, the position of the Deputy Chair of the Supervisory Board is not considered. The Deputy Chair of the Supervisory Board does not currently undertake any additional duties which would represent a greater burden compared to those of a regular Supervisory Board member.

Performance-based compensation of Supervisory Board members to be aligned with sustainable corporate development (section 5.4.6 (2) sentence 2)

The performance-related compensation of Supervisory Board members is possibly not fully oriented toward sustainable growth of the enterprise. As recommended by the Code, members of the Supervisory Board of United Internet AG receive both fixed and performance-based compensation. The performance-based compensation is connected with exceeding a threshold in terms of consolidated earnings per share in the fiscal year – fully in line with the Code until June 15, 2012. For the 2013 and following fiscal years, part of the variable compensation is measured in terms of the change in consolidated earnings per share in the given fiscal year compared with the status three years previously.

United Internet AG regards a performance-based compensation component as appropriate if it is oriented to the actual reported earnings per share in the respective fiscal year, as is the case here. United Internet AG also believes that this system is oriented toward sustainable growth of the enterprise, as compensation is only paid if a result threshold is exceeded. Moreover, at least part of variable compensation for Supervisory Board members is oriented toward sustainable growth in the sense that it is calculated on a multi-year

basis. As a consequence, the executive bodies identify no direct need to change the compensation scheme which was implemented in compliance with the Code – in the version valid until June 15, 2012. They will continue to observe and analyze developments in compensation schemes for supervisory board members, and propose a new compensation scheme if required.

Publication of reports (section 7.1.2 sentence 4)

Due to organizational, internal reasons, United Internet only published its interim report for the first quarter of 2013 on May 21, 2013. For the same reasons – and as already announced in the Financial Calendar 2014 – United Internet will publish its interim report for the first quarter of 2014 on May 20, 2014 and its report for the first nine months of 2014 on November 18, 2014.

8 Remuneration report

Principles of the Management Board remuneration system

The Supervisory Board is responsible for determining the remuneration of Management Board members. The remuneration received by the members of the Management Board of United Internet AG is performance-oriented and consists of fixed and variable elements.

The fixed remuneration component is paid monthly as a salary. The size of the variable remuneration component depends on reaching certain, fixed financial targets agreed at the beginning of the fiscal year. These targets are based mainly on key sales and earnings figures. The target attainment corridor is generally between 90% to 120%. No bonus is paid below 90% of the agreed target and the bonus calculation is capped at 120% of the agreed target. There is no provision for subsequent amendment of the performance targets. No minimum payment of the variable remuneration component is guaranteed. In the case of two Management Board members, there is a component providing long-term incentives in the form of a compensation program based on virtual shares (SARs). The exercise hurdle of this program is 120% of the share price. Payment of value growth is capped at 100% of the calculated share price when the virtual options were granted.

There are no retirement benefits from the company to members of the Management Board. The size of the remuneration components is regularly reviewed.

Further details on Management Board remuneration are provided in section 42 of the notes to the consolidated financial statements.

Principles of the Supervisory Board remuneration system

The 3 members of the Supervisory Board of United Internet AG also form the supervisory board of United Internet's most important subsidiary, 1&1 Internet AG. The Supervisory Board members each receive separate compensation for their work on behalf of the two companies. This compensation consists of a fixed element and a variable element which depends on the success of the respective company.

In the case of United Internet, the fixed remuneration for an ordinary member of the Supervisory Board amounts to € 10,000 per full fiscal year. The Chairman of the Supervisory Board receives twice the amount attributable to an ordinary member. The variable, performance-oriented element for each member of the Supervisory Board, including the Chairman, amounts to € 1,000 for every cent which exceeds the consolidated earnings per share (EPS) value of € 0.60 for United Internet AG, calculated according to IFRS. As of fiscal year 2013, there will be a variable long-term compensation component for each member of the Supervisory Board, including the Chairman. This will consist of an additional payment per full fiscal year of € 500 per starting percentage point by which the EPS of United Internet AG in the past fiscal year exceeds the EPS of the fiscal year completed 3 years previously. This long-term, variable compensation

component is limited to a maximum of € 10,000 per member. There are no stock option plans for members of the Supervisory Board.

With regard to their activities for 1&1 Internet AG, the fixed remuneration for ordinary members of the Supervisory Board amounts to € 20,000 per full fiscal year. The Chairman of the Supervisory Board receives € 30,000. Variable, performance-oriented compensation for each member of the Supervisory Board, including the Chairman, is based on the key earnings figures of 1&1 Internet AG. Variable compensation amounts to at least € 30,000 and a maximum of € 70,000 per member.

Further information on Supervisory Board compensation is provided in section 42 of the notes to the consolidated financial statements.

Stock-based compensation

United Internet AG operates a stock-based compensation plan which enables its managers to participate in the company's success and is aimed at enhancing staff loyalty. The plan takes the form of a virtual stock option program.

Virtual stock options (so-called Stock Appreciation Rights - SARs) refer to the commitment of United Internet AG to pay the beneficiary a cash amount equivalent to the difference between the share price on the date of granting the option and the share price on exercising the option. The exercise hurdle is 120% of the share price, which is calculated as the average closing price in electronic trading (Xetra) of the Frankfurt Stock Exchange over the ten days preceding issuance of the option. Payment of value growth to the entitled person is limited to 100% of the calculated share price when the virtual options were granted.

An SAR corresponds to a virtual subscription right for one share of United Internet AG. However, it is not a share right and thus not a (genuine) option to acquire shares of United Internet AG. United Internet AG retains the right to fulfill its commitment to pay the SAR in cash by also transferring United Internet AG shares from its stock of treasury shares to the beneficiary, at its own discretion. Employees may exercise their option rights after expiry of certain minimum retention periods. The increase in value represents a taxable gain for employees. The SARs have a maturity of no more than six years.

Option rights can be exercised as follows: up to 25% of the option right may be converted at the earliest 24 months after the date of issue of the option; up to 50% at the earliest 36 months after the date of issue of the option; a total of up to 75% may be exercised at the earliest 48 months after the date of issue of the option; the full amount may be exercised at the earliest 60 months after the date of issue of the option.

Detailed information on stock-based compensation is provided in section 36 of the notes to the consolidated financial statements.

9 Dependent company report

In compliance with Sec. 312 (1) AktG, the Management Board declares that the company received adequate compensation (quid pro quo) for all legal transactions and measures listed in the report on relations with affiliated companies, in accordance with the circumstances known at the time when such transactions or measures were carried out, or the measure involved was executed or omitted, and that the company was not disadvantaged by such measures being executed or omitted.

Montabaur, March 21, 2014

The Management Board

Ralph Dommermuth

Robert Hoffmann

Norbert Lang

**Annual Financial
Statements
of the Parent Company**

acc. to HGB

as at
December 31, 2013



United Internet AG - Balance Sheet acc. to HGB

as of December 31, 2013 in €k

<u>ASSETS</u>	December 31, 2013	December 31, 2012	<u>EQUITY AND LIABILITIES</u>	December 31, 2013	December 31, 2012
<u>FIXED ASSETS</u>			<u>EQUITY</u>		
Intangible assets			Capital stock	193,856	194,438
Concessions, industrial and similar rights and assets as well as licenses in such rights and assets	33	42	Capital reserves	116,977	95,977
	<u>33</u>	<u>42</u>	Revenue reserves		
			Other revenue reserves	327,949	335,419
Property, plant and equipment			Retained earnings	<u>220,506</u>	<u>189,129</u>
Other equipment, operational and office equipment	549	198		<u>859,288</u>	<u>814,963</u>
	<u>549</u>	<u>198</u>	<u>ACCRUALS</u>		
Financial assets			Accrued taxes	19,170	44,879
Shares in affiliated companies	1,097,626	1,105,566	Other accrued liabilities	<u>21,401</u>	<u>24,500</u>
Loans to affiliated companies	1,750	1,750		<u>40,571</u>	<u>69,379</u>
Investments	0	59,610			
	<u>1,099,376</u>	<u>1,166,926</u>	Liabilities due to banks	343,000	287,000
	<u>1,099,958</u>	<u>1,167,166</u>	Trade accounts payable	155	0
<u>CURRENT ASSETS</u>			Liabilities due to affiliated companies	24,594	62,099
Accounts receivable and other assets			Liabilities due to companies in which an investment is held	0	361
Trade accounts receivables	0	0	Other liabilities	<u>32,216</u>	<u>7,842</u>
Receivables due from affiliated companies	193,494	69,482		<u>399,965</u>	<u>357,302</u>
Receivables due from companies in which an investment is held	0	0	<u>DEFERRED TAX LIABILITIES</u>		
Other assets	2,143	175		0	0
	<u>195,637</u>	<u>69,657</u>			
Cash in hand and bank balances					
	4,189	4,781			
	<u>199,826</u>	<u>74,438</u>			
<u>PREPAID EXPENSES</u>					
	40	40			
	<u>1,299,824</u>	<u>1,241,644</u>		<u>1,299,824</u>	<u>1,241,644</u>

United Internet AG - Income Statement acc. to HGB

from January 1, 2013 to December 31, 2013 in €k

	2013	2012
	January - December	January - December
Sales	5,004	3,211
Other operating income	5,662	15,870
Cost of materials		
Cost of purchased services	-3,039	-1,891
Personnel expenses		
a. Wages and salaries	-24,155	-5,205
b. Social security contributions	-228	-243
Amortization and depreciation of intangible assets and property, plant and equipment	-92	-77
Other operating expenses	-4,312	-3,533
Income from profit transfer agreements	272,241	159,830
Income from investments	0	4,577
Other interest and similar income	1,662	6,093
Expense from loss transfer	-24,017	-2,317
Interest and similar expenses	-19,976	-22,571
Result from ordinary operations	<u>208,750</u>	<u>153,744</u>
Taxes on income	-98,330	-83,224
Other taxes	-4	1,002
Net profit for the year	<u><u>110,416</u></u>	<u><u>71,522</u></u>
Profit carried forward	131,090	397,606
Cancellation of shares	-21,000	0
Transfer to other revenue reserves	0	-280,000
Income from capital reduction	21,000	0
Transfer to capital reserves acc. to the regulations governing simplified capital reduction	-21,000	0
Balance sheet profit	<u><u>220,506</u></u>	<u><u>189,128</u></u>

UNITED INTERNET AG, MONTABAUR

Notes to the Financial Statements for Fiscal Year 2013

GENERAL PROVISIONS

The annual financial statements for fiscal year 2013 were prepared in accordance with Sections 242 ff. and Sections 264 ff. German Commercial Code (HGB), as well as with the respective provisions of the German Stock Corporation Law (AktG).

Due to its capital market orientation, United Internet AG, Montabaur, is classified as a large corporation pursuant to Sec. 267 (3) HGB.

The annual financial statements are based on the provisions of the German Commercial Code and Stock Corporation Act, as amended.

The income statement is prepared according to the cost summary method.

Reference is made to the fact that consolidated financial statements have been prepared according to International Financial Reporting Standards (IFRS) to comply with the listing requirements for the Prime Standard segment of the Frankfurt Stock Exchange and have been disclosed in accordance with Sec. 325 HGB with reference to Sec. 315 a HGB.

INFORMATION ABOUT THE COMPANY

The business activities of United Internet AG (United Internet) go back to "Eins & Eins EDV Marketing GmbH", which was founded by Mr. Ralph Dommermuth and two other shareholders in 1988. The name of this marketing company was changed to "1&1 EDV Marketing GmbH", before being finally renamed as "1&1 Holding GmbH" in 1993.

United Internet AG was founded on January 29, 1998 as a new holding company for the 1&1 Group, with the name 1&1 Aktiengesellschaft & Co. Kommanditgesellschaft auf Aktien, a partnership limited by shares. The company was entered into the commercial register at the Local Court of Montabaur against HRB 5762 on February 16, 1998; 1&1 Holding GmbH was then merged into the company with effect from January 1, 1998.

On March 20, 1998 the company's shares were admitted to the regulated market with a listing in the Neuer Markt segment of the Frankfurt Stock Exchange. The shares were traded for the first time on March 23, 1998.

The extraordinary shareholders' meeting on February 22, 2000 adopted a resolution to change the name of the company to United Internet Aktiengesellschaft & Co. KGaA. The new name was entered in the commercial register on February 23, 2000.

The change of legal form to a stock corporation by the name of United Internet AG, also decided on February 22, 2000, was entered in the commercial register on March 23, 2000.

PURPOSE OF THE COMPANY

The purpose of the company is to provide marketing, selling and other services, especially in the fields of telecommunications, information technology, including the Internet, and data processing or related areas. The company's purpose also includes the acquisition, holding and management of investments in other companies, especially those operative in the aforementioned business segments. The company is entitled to bring companies in which it holds an investment under its common control and may restrict itself to the management or administration of its investments.

The company is authorized to acquire or hold investments in all types of companies in Germany and other countries and to transact all business that is conducive to its purpose. The company is also authorized to conduct its business through subsidiaries, associated companies and joint ventures. It may outsource or transfer all or part of its operations to affiliated companies.

MANAGEMENT AND REPRESENTATION OF THE COMPANY

The company's Management Board manages and represents the company. According to its by-laws, the Management Board has one or more members, the number of which is determined by the Supervisory Board. If the Management Board has only one member, the company is represented by this person. If it has more than one member, the company is represented by two members of the Management Board or by one member of the Management Board collectively with a person holding power of attorney; however, the Supervisory Board may authorize particular members of the Management Board to represent the company on their own.

ACCOUNTING AND VALUATION METHODS

All figures are in euro (€), thousand euro (€k) or million euro (€m).

The following accounting and valuation methods were used once again in the preparation of the annual financial statements.

Intangible assets acquired for consideration are carried at cost and, insofar as their value diminishes, amortized in scheduled amounts according to their expected useful life.

Property, plant and equipment are carried at cost and depreciated over their expected useful lives. For assets acquired up to December 31, 2007 and between January 1, 2009 and December 31, 2009, the declining balance method is applied. The straight-line method is applied in the year in which it leads to higher annual depreciation rates. Other fixed assets are depreciated using the straight-line method. Individual items with a low net value of up to €150.00 are fully expensed in the year of acquisition; it is assumed that they are disposed of immediately. For reasons of simplification, the tax method used to compile omnibus items is also applied in the commercial balance sheet for individual assets with a net value of over €150.00 and up to €1,000.00. This omnibus item is then written off in a lump sum of 20 percent in the year of addition as

well as in each of the following four years. Other depreciation of additions to property, plant and equipment is always made pro rata temporis.

Operational equipment is usually depreciated over 4 to 5 years. Leasehold improvements are generally written off over a period of 10 years or the shorter lease period. The expected useful life of office furniture and equipment is 8 to 13 years, that of the vehicles is 6 years.

Shares in affiliated companies and investments disclosed under **financial assets** are reported at the lower of cost or market value, while loans are always stated at the lower of nominal or market value.

Receivables and other assets are stated at nominal value. All risk-bearing items, which are significant in terms of amount, are covered by reasonable allowances.

Tax accruals and **other accruals** consider all contingent liabilities, recognizable risks, and impending losses. They are carried at the settlement amount computed in accordance with prudent commercial practice (i.e. including future cost and price increases). Accruals with a remaining term of more than one year are discounted.

Liabilities are stated at their settlement amount.

For the calculation of **deferred taxes** due to temporary or quasi-permanent differences between the commercial law valuation of assets, liabilities and prepaid expenses and their tax valuation, or due to tax loss carryforwards, these are measured using the company's individual tax rates at the point in time when the differences reverse. The amounts of the resulting tax burden or relief are not discounted. Deferred tax assets and liabilities are netted. An excess of deferred tax assets is not carried if the existing recognition option is exercised.

Assets and liabilities denominated in foreign currencies are translated at the average spot rate on the balance sheet date. In the case of remaining terms of over one year, the realization principle (Sec. 252 (1) No. 4 Half-sentence 2 HGB) and the acquisition cost principle (Sec. 253 (1) Sentence 1 HGB) are applied.

Insofar as **hedges** are created in accordance with Sec. 254 HGB, the following accounting and measurement principles are applied:

Economic hedging relationships are presented in the financial statements by the creation of hedges. The so-called "net hedge presentation method" ("Einfrierungsmethode") is used, in which offsetting value changes in the hedged risk are not disclosed and the offsetting positive and negative changes in value are therefore not recognized with an effect on the income statement.

NOTES TO BALANCE SHEET ITEMS

FIXED ASSETS

Reference is made to the fixed asset movement schedule (exhibit 1 of the notes) for the classification and development of fixed assets.

Intangible assets and property, plant and equipment

Investments in this area mainly concern vehicles and payments in advance.

Financial assets

Information on the equity situation and results of operations of the affiliated companies and associated companies, stating the respective shareholding, is included in the list of shareholdings (exhibit 2 of the notes).

Changes in shares in affiliated companies mainly result from the sale of shares in Sedo Holding AG, Cologne. The shares were sold to subsidiary United Internet Ventures AG (formerly United Internet Beteiligungen GmbH), Montabaur, at carrying amounts. The proceeds from sale amounted to € 67,621k.

Additions to shares in affiliated companies of € 25k refer to the foundation of 1&1 Telecom Service Holding Montabaur GmbH, Montabaur, while € 25k and € 23k refer to the capital increases of subsidiaries.

In fiscal year 2013, the investment in VictorianFibre Holding & Co. S.C.A., Luxembourg, was contributed to the capital reserves of 1&1 Telecommunication AG, Montabaur, under other additions. The contribution was made at the carrying amount. The increase in shares in the affiliated company 1&1 Telecommunication AG corresponded to the disposal of investments (€ 59,608k).

CURRENT ASSETS

Receivables and other assets

The classification and maturities of receivables and other assets are shown in the following table (€k):

	31.12.2013	31.12.2013			31.12.2012
		Remaining term			
	Total	up to 1 1 year	of 1 to 5 years	over 5 years	Total *
Accounts receivable from affiliated companies	193,494	193,494			69,482
Other assets	2,143	2,143			175
	<u>195,637</u>	<u>195,637</u>	<u>0</u>	<u>0</u>	<u>69,657</u>

* All remaining terms up to 1 year.

Receivables from affiliated companies mainly comprise receivables due from 1&1 Internet AG (€156,994k). Receivables result primarily from balances of the United Internet Group's internal cash management system (€145,632k), and receivables from sales tax (€39,143k).

EQUITY

The company has the legal form of a stock corporation ("Aktiengesellschaft").

Capital stock and shares

As at the balance sheet date, the fully paid-in capital stock amounts to €194,000,000.00 divided into 194,000,000 registered no-par shares having a theoretical share in the capital stock of €1.00 each. As of December 31, 2013 the company held 144,265 treasury shares, which in accordance with Sec. 272 (1)a HGB are deducted from capital stock on the face of the balance sheet.

Approved capital

The company's Management Board is authorized, subject to the approval of the Supervisory Board, to increase the capital stock by a maximum of € 112,500,000.00 in the period ending May 25, 2016 by issuing on one or more occasions new no-par common shares in return for cash and/or non-cash contributions.

In the case of a capital increase in return for cash contributions, the shareholders shall be granted subscription rights. However, the Management Board is authorized, subject to the approval of the Supervisory Board, to exclude the right to subscribe in the case of fractional amounts and also to exclude the right to subscribe to the extent that this should be necessary in order to grant subscription rights for new shares to bearers of warrants, convertible bonds or warrant bonds issued by the company or subordinated Group companies in the amount to which they are entitled on conversion of their conversion or warrant rights or fulfillment of their conversion obligation. The Management Board is also authorized, subject to the approval of the Supervisory Board, to exclude the right of shareholders to subscribe in the case that the issue amount of the new shares is not substantially lower than the quoted market price of company shares with the same terms at the time of finalizing the issue amount and the shares issued in accordance with Sec. 186 (3) Sentence 4 AktG do not exceed in total 10% of capital stock. Shares sold or issued due to other authorizations in direct or corresponding application of Sec. 186 (3) Sentence 4 AktG under exclusion of subscription rights are to be accounted for in this limitation.

Furthermore, the Management Board is authorized, subject to the approval of the Supervisory Board, to exclude the right of shareholders to subscribe in the case of capital increases in return for non-cash contributions, especially in connection with the acquisition of companies, shareholdings or assets.

Conditional capital

The capital stock has been conditionally increased by up to €80,000,000.00, divided into 80,000,000 no-par registered shares (Conditional Capital 2010). The conditional capital increase is earmarked for shares to be granted to bearers or holders of warrant or convertible bonds, which the shareholders' meeting on June 2, 2010 authorized the company or a subordinated Group company to issue, providing the issue is in return for cash and the warrant or convertible bonds are not serviced from the stock of treasury shares or approved capital.

The conditional capital increase will only be executed to the extent that the bearers exercise their warrant or conversion rights from the aforementioned bonds or to the extent that conversion obligations from such bonds are fulfilled and the company does not service warrant or conversion rights from its stock of treasury shares or from approved capital. The shares will participate in profits from the beginning of the fiscal year in which they are created by exercising the conversion or option rights. The Management Board is authorized to set the further details regarding the execution of the conditional capital increase.

Authorization of Annual Shareholders' Meeting to acquire treasury shares

Pursuant to Sec. 71 (1) No. 8 AktG, the company is entitled to acquire treasury shares until November 23, 2014 up to a limit of ten percent of capital stock. The purchase price may be no lower than ten percent of the share's market price, nor higher than ten percent above its market price. As of the balance sheet date 144,265 treasury shares were held.

The company's Management Board is authorized, subject to the approval of the Supervisory Board, to sell treasury stock it has acquired in other ways than through the stock exchange or by offering to all shareholders, if the acquired treasury stock is sold for cash contribution at a price not significantly below the market price for such shares at the time of sale, or for reasonable non-cash consideration.

Subject to approval by the Supervisory Board, the Management Board is authorized to use the own shares acquired on the basis of this authorization to grant shares to members of the Management Board, to other company employees as well as to the management and employees of affiliated companies acc. to Sec. 15 ff. AktG, who are entitled to them on the basis of employee stock ownership plans. The company's Supervisory Board shall decide in all cases where own shares are to be transferred to members of the Management Board.

The Management Board is also permitted, subject to the approval of the Supervisory Board, to use the acquired treasury shares to meet conversion or option rights, or option commitments.

The Management Board is further permitted, subject to the approval of the Supervisory Board, to call in shares without a further resolution of the general meeting of shareholders.

The shareholders' subscription rights to treasury shares are excluded insofar as these shares are used according to the above authorizations. The authorization to purchase, sell or withdraw treasury shares can be exercised once or severally and either in total or in parts.

Total shareholders' equity developed as follows (€):

Development of total shareholders' equity

Capital stock

- Capital stock as of December 31, 2012	215,000,000,00
- Capital reduction from the cancellation of treasury shares	<u>-21,000,000,00</u>
- Capital stock as of December 31, 2013	194,000,000,00
- Open disclosure of treasury shares acc. to Sec. 272 (1)a HGB - December 31, 2012	-20,562,202,00
- Purchase of treasury shares	-1,476,314,00
- Issue of treasury shares	894,251,00
- Cancellation of treasury shares	<u>21,000,000,00</u>
- Open disclosure of treasury shares acc. to Sec. 272 (1)a HGB - December 31, 2013	<u>-144,265,00</u>
- Balance as of December 31, 2013	<u>193,855,735,00</u>

Capital reserves

- Balance as of December 31, 2012	95,976,677,74
- Transfer to capital reserves pursuant to the regulations governing simplified capital reduction acc. to Sec. 237 (5) AktG	<u>21,000,000,00</u>
- Balance as of December 31, 2013	<u>116,976,677,74</u>

Other revenue reserves

- Balance as of December 31, 2012	335,419,723,04
- Offsetting of difference from treasury stock	-27,907,535,54
- Transfer to other revenue reserves (employee stock ownership plan)	<u>20,436,995,69</u>
- Balance as of December 31, 2013	<u>327,949,183,19</u>

Balance sheet profit

- Balance as of December 31, 2012	189,128,458,36
- Dividend payment	-58,038,445,20
- Net profit for the year	110,415,982,53
- Cancellation of treasury shares	-21,000,000,00
- Income from capital reduction acc. to Sec. 240 S. 1 AktG	21,000,000,00
- Transfer to capital reserves pursuant to the regulations governing simplified capital reduction acc. to Sec. 237 (5) AktG	<u>-21,000,000,00</u>
- Balance as of December 31, 2013	<u>220,505,995,69</u>

Total shareholders' equity	<u><u>859,287,591,62</u></u>
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As of fiscal year 2010, treasury shares are treated in the same way as a capital reduction. The nominal amount was deducted from subscribed capital on the face of the balance sheet, the difference was offset with other revenue reserves. The nominal value of shares held on the balance sheet date December 31, 2013, amounting to € 144,265.00 was therefore deducted from capital stock and disclosed in a sub-column on the face of the balance sheet.

The Annual Shareholders' Meeting of May 23, 2013 followed the proposal of the Management Board and Supervisory Board to carry forward part of the balance sheet profit 2012 amounting to € 131,090,013.16 and to distribute another part totaling € 58,038,445.20 as a dividend.

As of the reporting date, the balance sheet profit amounts to € 220,505,995.69. The balance sheet profit contains a carryforward from the previous year amounting to € 189,128,458.36. This amount was reduced under consideration of the dividend paid in fiscal year 2013 and the capital reduction conducted to € 110,090,013.16.

The Management Board and Supervisory Board will discuss their dividend proposal for fiscal year 2013 at the Supervisory Board meeting on March 26, 2014. According to Sec. 21 of the by-laws of United Internet AG, the Annual Shareholders' Meeting decides on the appropriation of the balance sheet profit.

Pursuant to Sec. 71b AktG, the company does not accrue any rights from treasury shares and thus has no pro-rated dividend rights.

Treasury shares

As of December 31, 2012 the company held 20,562,202 treasury shares, representing 9.56% of the capital stock of 215,000,000 shares. The average purchase cost per share amounted to € 12.46.

Based on the authorization granted by the Annual Shareholders' Meeting of United Internet AG on May 31, 2012 regarding the acquisition and use of treasury shares, and with the approval of the Supervisory Board, the Executive Board resolved on January 7, 2013, to cancel a total of 15,000,000 shares from the company's stock of treasury shares, purchased in the course of share buyback programs, and thus reduce the capital stock of United Internet AG by € 15,000,000, from € 215,000,000 to € 200,000,000. The number of shares issued decreased correspondingly from 215,000,000 shares to 200,000,000 shares. Issued shares continue to represent a notional share of capital stock of € 1 each.

At the same time, the Management Board also resolved to launch a new share buyback program, which began once the cancellation and capital reduction became effective. In the course of this new share buyback program, up to 5,000,000 company shares could be bought back via the stock exchange. The buyback followed an authorization of the Annual Shareholders' Meeting of May 31, 2012 to buy back shares representing up to 10% of the Company's capital stock. The authorization was issued for the period up to November 30, 2013.

As part of this share buyback program, 337,798 treasury shares were purchased. Together with 5,662,202 treasury shares from earlier share buyback programs, United Internet thus held a total of 6,000,000 treasury shares.

Based on the authorization granted by the Annual Shareholders' Meeting of United Internet AG on May 31, 2012 regarding the acquisition and use of treasury shares, and with the approval of the Supervisory Board, the Management Board resolved on February 1, 2013 to cancel these 6,000,000 treasury shares and to reduce the capital stock of United Internet AG by €6,000,000 million, from €200,000,000 to €194,000,000. The number of shares issued decreased correspondingly from 200,000,000 shares to 194,000,000 shares. Issued shares continued to represent a notional share of capital stock of 1 euro each. Following the cancellation of shares, further shares were bought back in the subsequent course of the year.

The share buyback program adopted on January 7, 2013 on the basis of an authorization of the Annual Shareholders' Meeting of May 31, 2012 was revoked by the Annual Shareholders' Meeting of May 23, 2013 on expiry of May 23, 2013 with effect in future. At the same time, with a resolution adopted on May 23, 2013, the Annual Shareholders' Meeting authorized United Internet AG to buy back treasury shares representing up to 10% of the company's capital stock. The authorization was issued for the period up to November 23, 2014.

On the basis of this authorization, the Management Board of United Internet AG resolved on May 24, 2013 to launch a new share buyback program. In the course of this new share buyback program, up to 1,000,000 company shares (corresponding to approx. 0.52% of capital stock) are to be bought back via the stock exchange.

Following cancellation of treasury shares, buybacks of 1,476,314 and issues of 794,251 units, the Company held 144,265 treasury shares or 0.07% of the capital stock of 194,000,000 shares as of December 31, 2013. The average purchase cost per share amounted to €21.19.

ACCRUALS

Accrued taxes of €19,118k refer to corporation tax, the solidarity surcharge and trade tax for fiscal 2013. Accrued taxes for previous years amount to €52k.

Other accrued liabilities contain appropriate accruals formed for all foreseeable liabilities whose amount and nature are uncertain as well as for pending losses. They were formed mainly for the employee stock ownership plan (€18,498k), for bonuses and commissions (€636k), and legal, auditing and consulting fees (€474k). In addition, accrued liabilities were formed for foreseeable interest risks accruing from the tax audit (€911k).

The effect from discounting accruals recognized in interest expenses amounts to €162k.

LIABILITIES

The classification and maturities of the liabilities are shown in the following table (€k):

	31.12.2013	31.12.2013			31.12.2012	
	Total	up to 1 year	Remaining term of 1 to 5 years	over 5 years	Total	Remaining term up to 1 year
Bank liabilities	343,000	23,000	320,000		287,000	72,000
Trade payables	155	155			0	0
Liabilities due to affiliated companies	24,594	24,594			62,099	62,099
Liabilities due to companies in which an investment is held	0	0			361	361
Other liabilities thereof for social security €0k (prior year: €1k)	32,216	32,216			7,842	7,842
	399,965	79,965	320,000	0	357,302	142,302

Liabilities due to banks as of December 31, 2013 result from a revolving syndicated loan and current account liabilities.

The syndicated loan agreement of June 7, 2011 comprised a Tranche A amounting to € 120 million (bullet loan) and a Tranche B of € 360 million (revolving syndicated loan). This was converted into a revolving syndicated loan on 19 August 2013. The credit was increased from €480 million to €600 million and the term prolonged. As of December 31, 2013, € 320 million have been used from the loan.

No collateral was provided for the syndicated loan.

The current account liabilities amount to € 23 million.

Liabilities to affiliated companies mainly consist of liabilities due from balances as part of the United Internet Group's cash management system (€ 19,433k), for services received from these companies (€ 3,144k), and from profit transfer agreements (€ 2,017k after consideration of advance payments in the reporting period).

Other liabilities consist mainly of sales tax liabilities of € 28,385k.

DEFERRED TAXES

Due to existing direct and indirect tax pooling, the measurement of existing deferred taxes is made across the entire tax pooling group of United Internet AG.

As in the previous year, there is an excess of deferred tax assets as of December 31, 2013. Deferred tax assets as of the reporting period result mainly from prepaid expenses (hardware subsidies), while deferred tax liabilities result from intangible assets. The calculation is based on a tax rate of 30.02%. In execution of the reporting option pursuant to Sec. 274 (1) S. 2 HGB, this excess is not recognized.

NOTES TO THE INCOME STATEMENT

SALES

The company's sales were generated exclusively in Germany and mainly comprise charges to subsidiaries for services rendered (€ 4,831k) and rent (€ 173k).

OTHER OPERATING INCOME

Income from an interest hedging transaction accounted for € 5,488k of other operating income.

Other operating income not relating to the period of € 60k results from the reversal of accruals.

PERSONNEL EXPENSES

Due to expenses for existing share-based compensation programs caused by the share price development in fiscal year 2013, personnel expenses are not comparable with the previous year. Adjusted for these effects, personnel expenses amounted to €3,209k in the reporting period (prior year: €2,546k). The increase resulted mainly from the fact that a further member joined the Company's Management Board.

OTHER OPERATING EXPENSES

In addition to legal, consulting and audit fees and Supervisory Board remuneration (€2,105k), other operating expenses mainly contain expenses for investor relations, marketing and press PR (€388k), rent expenses (€275k) and expenses for insurances/contributions (€229k). Expenses relating to other periods amount to €18k.

INCOME FROM INVESTMENTS

In the previous year, dividends of €4,577k were received from the investment in freenet AG. This investment was already sold in the previous year.

INCOME FROM PROFIT TRANSFER AGREEMENTS

This item mainly comprises the profit transfer of 1&1 Internet AG, Montabaur, (€271,511k) and 1&1 Telecommunication AG (formerly 1&1 Access Holding GmbH), Montabaur, (€717k).

EXPENSES FOR LOSS ASSUMPTIONS

This item mainly comprises the compensation expense for United Internet Ventures AG (formerly United Internet Beteiligungen GmbH), Montabaur, (€24,011k).

INCOME TAXES

Income taxes of €94,659k concern current taxes, of which €49,616k were corporation tax and the solidarity surcharge and €45,043k concerned trade tax.

Due to the results of the completed tax audit for the assessment periods 2006 to 2008 and their subsequent impact and assessments for the following years, there are tax expenses not relating to the period of €3,671k. In addition, there related interest expenses of €3,285k and interest income of €797k disclosed in the interest result.

OTHER DISCLOSURES

Average number of employees

An average of 18 (prior year: 19) permanent salaried staff were employed in the past fiscal year (without Management Board members, apprentices, part-time staff and employees on maternity leave).

Executive bodies of United Internet AG

As of December 31, 2013, the Management Board consisted of the following members:

Ralph Dommermuth (CEO), Montabaur
Robert Hoffmann (COO), Kelkheim
Norbert Lang (CFO), Waldbrunn

Robert Hoffmann joined the Management Board on January 1, 2013. He was formerly employed by 1&1 Internet AG, Montabaur, a subsidiary of United Internet AG.

The members of the Management Board also belong to the supervisory boards of the following companies:

Ralph Dommermuth

- United Internet Media GmbH (formerly United Internet Media AG), Montabaur (chair until November 27, 2013)

Norbert Lang

- Hi-Media SA, Paris / France
- United Internet Media GmbH (formerly United Internet Media AG), Montabaur (until November 27, 2013)
- united-domains AG, Starnberg (chair)

The Supervisory Board is responsible for determining the remuneration of the Management Board. The members of the Management Board are compensated according to performance. This compensation consists of a fixed and a variable element (bonus). A target remuneration figure is agreed for the fixed component and the bonus, which is regularly reviewed. The last review was made in fiscal year 2011. The fixed remuneration component is paid monthly as a salary. The size of the bonus depends on reaching certain, fixed financial targets agreed at the beginning of the fiscal year. These targets are based mainly on the sales and earnings figures. The target attainment corridor is generally between 90% to 120%. No bonus is paid below 90% of the agreed target and the bonus calculation ends at 120% of the agreed target. No subsequent amendment of the performance targets is allowed. There is no minimum guaranteed bonus. Payment is made after the annual financial statements have been adopted by the Supervisory Board. In fiscal year 2013, preliminary remuneration of € 1,522k was agreed for the Management Board (prior-year: € 872k for two members). Of this total, € 900k or 59% was fixed and € 622k or 41% variable.

There are no retirement benefits from the company to members of the Management Board.

Stock Appreciation Right (SARs) refer to the company's commitment to pay the beneficiary a cash amount equivalent to the difference between the share price on the date of granting the option (strike price) and the share price on exercising the option. The exercise hurdle is 120% of the share price of the average closing price in electronic trading (Xetra) of the Frankfurt Stock Exchange over the ten days preceding issuance of the option. Payment of value growth to the entitled person is limited to 100% of the strike price.

An SAR corresponds to a virtual subscription right for one share of United Internet AG. However, it is not a share right and thus not a (genuine) option to acquire shares of United Internet AG. The company retains the right, however, to fulfill its commitment to pay the SAR in cash by also transferring United Internet AG shares from its stock of treasury shares to the beneficiary, at its own discretion.

Up to 25% of the option right may be converted at the earliest 24 months after the date of issue of the option; up to 50% at the earliest 36 months after the date of issue of the option. A total of up to 75% may be exercised at the earliest 48 months after the date of issue of the option; the full amount may be exercised at the earliest 60 months after the date of issue of the option.

In fiscal years 2008 and 2009, Mr. Norbert Lang was granted 800,000 virtual stock options each year (so-called Stock Appreciation Rights or SARs) at an exercise price of € 12.85 and € 5.52. At the time these virtual stock options were issued, the fair values amounted to € 2,384k and € 1,104k.

In fiscal year 2013, Mr. Robert Hoffmann was granted 1,000,000 SARs at an exercise price of € 16.06. At the time these virtual stock options were issued, the fair values amounted to € 2,060k. The fair values at the time of issue of subscription rights not exercised which were granted to Mr. Robert Hoffmann by 1&1 Internet AG in previous years and at the beginning of the reporting period amounted to € 1,738k on January 1, 2013. The exercise prices lie between € 6.07 and € 12.85. United Internet AG entered into these obligations on January 1, 2013. The intrinsic value of the 750,000 SARs at this time amounted to € 4,295k.

In the reporting period, Mr. Norbert Lang exercised a total of 800,000 subscription rights at a strike price of € 12.85 and 200,000 subscription price at a strike price of € 5.52 each.

In fiscal year 2013, Mr. Robert Hoffmann exercised 50,000 of the subscription rights granted by 1&1 Internet AG in previous years at € 12.85, 100,000 at € 6.07, 150,000 at € 8.96 and 75,000 at a strike price of € 12.03.

The following table provides details on the compensation received by members of the Management Board (€k):

	Fixed €k	Variable €k	Total €k
2013			
Ralph Dommermuth	300	237	537
Robert Hoffmann	300	198	498
Norbert Lang	300	187	487
	<u>900</u>	<u>622</u>	<u>1,522</u>
2012			
Ralph Dommermuth	300	152	452
Norbert Lang	300	120	420
	<u>600</u>	<u>272</u>	<u>872</u>

In fiscal year 2013, the Supervisory Board of United Internet AG consisted of the following members:

Kurt Dobitsch, chair,
self-employed entrepreneur, Markt Schwaben

Kai-Uwe Ricke
Managing Partner, Stallikon / Switzerland

Michael Scheeren, deputy chair
qualified banker, Frankfurt am Main

In fiscal year 2013, the members of the Supervisory Board also held seats on supervisory boards or similar committees of the following companies:

Kurt Dobitsch

- 1&1 Internet AG, Montabaur
- United Internet Ventures AG (formerly United Internet Beteiligungen GmbH), Montabaur (Chairman, since March 20, 2013)
- 1&1 Telecommunication AG (formerly 1&1 Access Holding GmbH), Montabaur (since March 20, 2013)
- Nemetschek AG, Munich (Chairman)
- Bechtle AG, Gaildorf
- docuware GmbH, Munich
- Graphisoft S.E, Budapest / Hungary
- Singhammer IT Consulting AG, Munich

Kai-Uwe Ricke

- 1&1 Internet AG, Montabaur
- United Internet Ventures AG (formerly United Internet Beteiligungen GmbH), Montabaur (since March 20, 2013)
- 1&1 Telecommunication AG (formerly 1&1 Access Holding GmbH), Montabaur (Deputy Chairman, since March 20, 2013)
- SUSI Partner AG, Zurich / Switzerland
- euNetworks Group Ltd., Singapore / Singapore
- Delta Partners, Dubai / Emirate of Dubai

Michael Scheeren

- 1&1 Internet AG, Montabaur (Chairman)
- United Internet Ventures AG (formerly United Internet Beteiligungen GmbH), Montabaur (Deputy Chairman, since March 20, 2013)
- 1&1 Telecommunication AG (formerly 1&1 Access Holding GmbH), Montabaur (Chairman, since March 20, 2013)
- Sedo Holding AG, Montabaur (Chairman)
- United Internet Media GmbH (formerly United Internet Media AG), Montabaur (Deputy Chairman, until March 31, 2013)
- Goldbach Group AG, Küsnacht- Zurich / Switzerland

The members of the Supervisory Board receive compensation consisting of a fixed element and a variable element which depends on the company's success. The fixed remuneration for an ordinary member of the Supervisory Board amounts to €10k per full fiscal year. The chairman of the Supervisory Board receives the double amount. The variable element for each member of the Supervisory Board, including the chairman, amounts to €1k for every cent which exceeds the consolidated earnings per share (EPS) value of €0.60 for United Internet AG, calculated according to IFRS.

In addition, each member of the Supervisory Board shall receive for fiscal year 2013 and the following fiscal years remuneration of €500 per starting percentage point by which EPS in the past fiscal year exceeds the EPS of the fiscal year completed 3 years previously, limited to a maximum of €10k per fiscal year.

The following table provides details on the compensation received by members of the Supervisory Board of United Internet AG (€k):

	Fixed €k	Variable €k	Total €k
2013			
Kurt Dobitsch	20	57	77
Kai-Uwe Ricke	10	57	67
Michael Scheeren	10	57	67
	<u>40</u>	<u>171</u>	<u>211</u>
2012			
Kurt Dobitsch	20	0	20
Kai-Uwe Ricke	10	0	10
Michael Scheeren	10	0	10
	<u>40</u>	<u>0</u>	<u>40</u>

There are no subscription rights or share-based payments for members of the Supervisory Board.

Contingent liabilities

The company is jointly and severally liable for a credit line granted by banks to companies of the United Internet Group. As of the balance sheet date, the credit facility was used for credit line drawings of €23,000k and credit guaranties of €15,828k. With regard to other bank liabilities, reference is made to the explanations under "Liabilities".

Due to the stable business position of the borrowing subsidiaries of the United Internet Group, the risk involved in the contingent liabilities is currently regarded as very low.

Disclosures to derivative financial instruments

In fiscal year 2008, the company had concluded two interest swaps with a total nominal amount of €200,000k in order to reduce its interest risk. The agreements had a term until October 9, 2013. The cash-relevant interest component is included in interest expenses, while the change in fair value is recognized in other operating expenses.

Against the backdrop of new financial loans taken out in fiscal year 2011, four interest swaps were concluded with a total nominal amount of €180,000k to hedge against the interest risk. The agreements have terms until June 7, 2016. The negative fair value including accrued interest of €234k amounts to €7,916k as of the balance sheet date. A hedge was formed with the underlying transaction (financial loans) pursuant to Sec. 254 HGB for these hedging transactions. Due to the use of the "net hedge presentation method" ("Einfrierungsmethode"), the negative market value of €7,682k was not recognized. The deferred interest of €234k is included in other liabilities. The measurement of fair value was made on the basis of current market data using recognized mathematical valuation methods (discounted cash flow method).

The hedges are formed as follows:

	Underlying transaction / hedging instrument	Interest risk / micro-hedge	Considered amount	Amount of hedged risk
(1)	Revolving syndicated loan / interest derivative	Interest risk / micro-hedge	€ 60,000k	€ 60,000k
(2)	Revolving syndicated loan / interest derivative	Interest risk / micro-hedge	€ 40,000k	€ 40,000k
(3)	Revolving syndicated loan / interest derivative	Interest risk / micro-hedge	€ 40,000k	€ 40,000k
(4)	Revolving syndicated loan / interest derivative	Interest risk / micro-hedge	€ 40,000k	€ 40,000k

on (1): The opposing changes in value / cash flows of the underlying transaction and hedge mainly offset each other in fiscal year 2013. Over the entire course of the hedge period, the opposing changes in value / cash flows of the underlying transaction and hedge are also expected to mainly offset each other as the main underlying conditions agree (so-called critical-term match). The formation of a hedge in this case is mainly based on the assumption that the use of the credit line of the revolving syndicated loan will amount to at least € 60,000k.

on (2) to (4): Over the entire course of the hedge period, the opposing changes in value / cash flows of the underlying transaction and hedge are also expected to mainly offset each other as the main underlying conditions agree (so-called critical-term match). The formation of a hedge in this case is mainly based on the assumption that the use of the credit line of the revolving syndicated loan will amount to at least € 120,000k.

A critical-term match was made on conclusion of the hedges. On every balance sheet date, a retrospective examination and measurement of the hedge's effectiveness is made using the "hypothetical derivative method".

When using this method, a company must consider the fair value of the hypothetical derivative if it determines any change in the fair value of the underlying transaction during its examination and measurement of the hedge's effectiveness. According to current commercial law regulations, the market value of the hedging instruments is to be recognized in the amount of the ineffective share. No effects were recognized in fiscal year 2013.

Transactions with related parties

In the period under review, no transactions were made with related parties at non-standard market conditions.

Other financial commitments

The company has obligations from lease agreements, mostly for its offices and business premises in Montabaur.

	2013 €k
Liabilities from long-term financial obligations	2,346
of which due within one year	427
of which due between two and five years	1,706
of which due in more than five years	213

Publication of voting right announcements acc. to Sec. 26 WpHG

Publication on December 22, 2009

In accordance with Sec. 21 (1) WpHG, Ralph Dommermuth GmbH & Co. KG Beteiligungsgesellschaft, Montabaur, Germany, has informed us that its proportion of voting rights in United Internet AG, Montabaur, exceeded the threshold of 30% due to a reduction in the total number of voting rights as of December 21, 2009, and amounted to 31.00% on this day (74,400,000 voting rights). Of this amount, 1.67% of voting rights (4,000,000 voting rights) are attributable to Ralph Dommermuth GmbH & Co. KG Beteiligungsgesellschaft according to Sec. 22 (1) Sentence 1 No. 1 WpHG.

In accordance with Sec. 21 (1) WpHG, Ralph Dommermuth Verwaltungs GmbH, Montabaur, Germany, has informed us that its proportion of voting rights in United Internet AG, Montabaur, exceeded the threshold of 30% due to a reduction in the total number of voting rights as of December 21, 2009, and amounted to 31.00% on this day (74,400,000 voting rights). Of this amount, 31.00% of voting rights (74,000,000 voting rights) are attributable to Ralph Dommermuth Verwaltungs GmbH according to Sec. 22 (1) Sentence 1 No. 1 WpHG. Voting rights attributed to Ralph Dommermuth Verwaltungs GmbH are held by the following companies it controls, whose voting rights in United Internet AG amounted to 3% or more: Ralph Dommermuth GmbH & Co. KG Beteiligungsgesellschaft.

Publication on July 23, 2012

On July 23, 2012, Allianz Global Investors Kapitalanlagegesellschaft mbH, Frankfurt am Main, Germany, informed us according to Sec. 21, (1) of the WpHG that via shares its voting rights in United Internet AG, Montabaur, Germany, exceeded the 3% threshold of voting rights on July 20, 2012 and on that day amounted to 3.02% (corresponding to 6,503,582 voting rights).

According to Sec. 22 (1) Sentence 1 No. 6 of the WpHG, 1.38% of the voting rights (corresponding to 2,973,939 voting rights) are attributable to the company.

Publication on January 9, 2013

United Internet AG (ISIN DE0005089031), Elgendorfer Str. 57, 56410 Montabaur, Germany, herewith notifies pursuant to Sec. 26 (1) Sentence 2 WpHG that its amount of treasury shares fell below the threshold of 5% and 3% (based on 200 million shares/voting rights) on January 8, 2013, and on this date amounted to 2.83% (5,662,202 shares).

Publication on February 1, 2013

United Internet AG (ISIN DE0005089031), Elgendorfer Str. 57, 56410 Montabaur, Germany, herewith notifies pursuant to Sec. 26 (1) Sentence 2 WpHG that its amount of treasury shares reached the threshold of 3% (based on 200 million shares/voting rights) on February 1, 2013, and on this date amounted to 3.00% (6,000,000 shares).

Publication on February 7, 2013

United Internet AG (ISIN DE0005089031), Elgendorfer Str. 57, 56410 Montabaur, Germany, herewith notifies pursuant to Sec. 26 (1) Sentence 2 WpHG that its amount of treasury shares fell below the threshold of 3% (based on 200 million shares/voting rights) on February 6, 2013, and on this date amounted to 0.00% (0 shares).

Publication on February 18, 2013

On February 14, 2013, Massachusetts Mutual Life Insurance Company, Springfield, USA, informed us according to Secs. 21 (1) and 24 of the WpHG, of the following:

OppenheimerFunds Inc., Centennial, USA, exceeded the 3% threshold of voting rights in United Internet AG, Montabaur (ISIN: DE0005089031, WKN: 508903) on February 12, 2013. The number of voting rights held on February 12, 2013, amounted to 5,873,094 or 3.03%, which are attributable to OppenheimerFunds Inc. according to Sec. 22 (1) Sentence 1 No. 6 WpHG.

Oppenheimer Acquisition Corp., Centennial, USA, exceeded the 3% threshold of voting rights in United Internet AG, Montabaur (ISIN: DE0005089031, WKN: 508903) on February 12, 2013. The number of voting rights held on February 12, 2013, amounted to 5,873,094 or 3.03%, which are attributable to Oppenheimer Acquisition Corp. according to Sec. 22 (1) Sentence 1 No. 6 WpHG.

MassMutual Holding LLC, Springfield, USA, exceeded the 3% threshold of voting rights in United Internet AG, Montabaur (ISIN: DE0005089031, WKN: 508903) on February 12, 2013. The number of voting rights held on February 12, 2013, amounted to 5,873,094 or 3.03%, which are attributable to MassMutual Holding LLC according to Sec. 22 (1) Sentence 1 No. 6 WpHG.

MM Asset Management Holding LLC, Springfield, USA, exceeded the 3% threshold of voting rights in United Internet AG, Montabaur (ISIN: DE0005089031, WKN: 508903) on February 12, 2013. The number of voting rights held on February 12, 2013, amounted to 5,873,094 or 3.03%, which are attributable to MM Asset Management Holding LLC according to Sec. 22 (1) Sentence 1 No. 6 WpHG.

Massachusetts Mutual Life Insurance Company, Springfield, USA, exceeded the 3% threshold of voting rights in United Internet AG, Montabaur (ISIN: DE0005089031, WKN: 508903) on February 12, 2013. The number of voting rights held on February 12,

2013, amounted to 5,873,094 or 3.03%, which are attributable to Massachusetts Mutual Life Insurance Company according to Sec. 22 (1) Sentence 1 No. 6 WpHG.

Publication on February 25, 2013

On February 22, 2013, DWS Investment GmbH, Frankfurt, Germany, informed us according to Sec. 21, (1) of the WpHG that via shares its voting rights in United Internet AG, Montabaur, Germany, exceeded the 5% threshold of voting rights on February 19, 2013 and on that day amounted to 5.005% (corresponding to 9,708,975 voting rights).

Publication on February 28, 2013

On February 26, 2013, DWS Investment GmbH, Frankfurt, Germany, informed us according to Sec. 21, (1) of the WpHG that via shares its voting rights in United Internet AG, Montabaur, Germany, fell below the 5% threshold of voting rights on February 21, 2013 and on that day amounted to 4.999% (corresponding to 9,698,975 voting rights).

Publication on March 26, 2013

On March 22, 2013, RD Holding-Verwaltungs GmbH, Montabaur, Germany, informed us according to Sec. 21 (1) WpHG of the following:

In accordance with Sec. 21 (1) WpHG, we hereby inform you that the voting rights of RD Holding-Verwaltungs GmbH, Montabaur, Germany, in United Internet AG, Elgendorfer Str. 57, 56410 Montabaur, Germany, exceeded the 5%, 10%, 15%, 20%, 25% and 30% thresholds on March 21, 2013 and on this day amount to 45.36% (88,000,000 voting rights). According to Sec. 22 (1) Sentence 1 No. 1 WpHG, 4.12% (8,000,000 voting rights) are attributable to RD Holding-Verwaltungs GmbH and according to Sec. 22 (2) WpHG 41.24% (80,000,000 voting rights) are attributable. The name of the company it controls, of which 3% or more are attributed, is as follows:

- RD Holding GmbH & Co. KG.

The name of the shareholder whose shares are attributed 3% or more is as follows:

- Ralph Dommermuth GmbH & Co. KG Beteiligungsgesellschaft.

On March 22, 2013, RD Holding GmbH & Co. KG, Montabaur, Germany, informed us according to Sec. 21 (1) WpHG of the following:

In accordance with Sec. 21 (1) WpHG, we hereby inform you that the voting rights of RD Holding GmbH & Co. KG, Montabaur, Germany, in United Internet AG, Elgendorfer Str. 57, 56410 Montabaur, Germany, exceeded the 5%, 10%, 15%, 20%, 25% and 30% thresholds on March 21, 2013 and on this day amount to 45.36% (88,000,000 voting rights). According to Sec. 22 (2), 41.24% (80,000,000 voting rights) are attributable to RD Holding GmbH & Co. KG. Voting rights are attributable to the following shareholder whose voting rights in United Internet AG exceed 3%:

- Ralph Dommermuth GmbH & Co. KG Beteiligungsgesellschaft.

On March 22, 2013, RD Holding-Verwaltungs GmbH, Montabaur, Germany, informed us according to Sec. 27a (1) WpHG of the following in connection with the exceeding or reaching of the 10% threshold or a higher threshold on March 21, 2013:

Objectives of purchasing the voting rights (Sec. 27a (1) Sentence 1 and Sentence 3 WpHG)

The acquisition was made by attribution in the course of an internal restructuring and serves neither the implementation of strategic objectives nor the generation of trading profits.

RD Holding-Verwaltungs GmbH does not intend to acquire further voting rights in United Internet AG via purchase or other means within the next twelve months.

RD Holding-Verwaltungs GmbH is not seeking to influence the composition of administrative, management or supervisory bodies of United Internet AG.

RD Holding-Verwaltungs GmbH is not seeking to significantly alter the company's capital structure, especially with regard to the ratio between equity and debt or its dividend policy.

Source of funds used for voting rights (Sec. 27a (1) Sentence 1 and Sentence 4 WpHG)

The acquisition of voting rights was made by attribution acc. to Sec. 22 (1) Sentence 1 No. 1 WpHG as well as Sec. 22 (2) WpHG. With regard to the purchase of voting rights in United Internet AG, no equity or debt was therefore used.

On March 22, 2013, RD Holding GmbH & Co. KG, Montabaur, Germany informed us according to Sec. 27a (1) WpHG of the following in connection with the exceeding or reaching of the 10% threshold or a higher threshold on March 21, 2013:

1. Objectives of purchasing the voting rights (Sec. 27a Abs. 1 Sentence 1 and Sentence 3 WpHG)

a- The acquisition was made by attribution in the course of an internal restructuring and serves neither the implementation of strategic objectives nor the generation of trading profits.

b- RD Holding GmbH & Co. KG does not intend to acquire further voting rights in United Internet AG via purchase or other means within the next twelve months.

c- RD Holding GmbH & Co. KG is not seeking to influence the composition of administrative, management or supervisory bodies of United Internet AG.

d- RD Holding GmbH & Co. KG is not seeking to significantly alter the company's capital structure, especially with regard to the ratio between equity and debt or its dividend policy.

2. Source of funds used for voting rights (Sec. 27a (1) Sentence 1 and Sentence 4 WpHG)

The acquisition of voting rights was made by attribution acc. to Sec. 22 (1) Sentence 1 No. 1 WpHG as well as Sec. 22 (2) WpHG. With regard to the purchase of voting rights in United Internet AG, no equity or debt was therefore used.

Notifications on May 31, 2013 and June 18, 2013 (correction)

Notification of voting rights pursuant to Sec. 25 WpHG

We received the following notifications of voting rights pursuant to Sec. 25 WpHG on 28 May 2013:

1. Listed company:
United Internet AG, Elgendorfer Strasse 57, 56410 Montabaur, Germany
 2. Notifier:
Morgan Stanley, Wilmington, Delaware, USA
 3. Triggering event:
Threshold(s) crossed
 4. Threshold(s) in question:
5%, 10%
 5. Date of triggering event:
May 21, 2013
 6. Notifier's voting rights:
10.05% (corresponds to: 19,490,083 voting rights)
 7. Details of voting rights:
 - 7.1 Financial/other instruments pursuant to Sec. 25 WpHG: 7.58% (corresponds to: 14,713,491 voting rights), thereof held indirectly: 7.58% (corresponds to: 14,713.491 voting rights)
 - 7.2 Financial/other instruments pursuant to Secs. 21, 22 WpHG: 2.46% (corresponds to: 4,776,592 voting rights)
 8. Details on financial/other instruments pursuant to Sec. 25 WpHG:
 - 8.1 Chain of controlled undertakings:
Morgan Stanley Capital Management LLC, Morgan Stanley Domestic Holdings Inc., Morgan Stanley & Co LLC, MSDW Offshore Equity Services Inc., MS Equity Finance Services I (Cayman) Ltd., MS Equity Financing Services (Luxembourg) Sarl, Morgan Stanley International Holdings Inc., Morgan Stanley International Limited, Morgan Stanley Group (Europe), Morgan Stanley UK Group, Morgan Stanley & Co International Plc
 - 8.2 Re-transfer claims:
Various contracts whose exercise is at the lender's discretion
-
1. Listed company:
United Internet AG, Elgendorfer Strasse 57, 56410 Montabaur, Germany
 2. Notifier:
Morgan Stanley International Holdings Inc, Wilmington, Delaware, USA

3. Triggering event:
Threshold(s) crossed
4. Threshold(s) in question:
5%
5. Date of triggering event:
May 21, 2013
6. Notifier's voting rights:
7.68% (corresponds to: 14,902,166 voting rights)
7. Details of voting rights:
 - 7.1 Financial/other instruments pursuant to Sec. 25 WpHG: 5.24% (corresponds to: 10,172,672 voting rights), thereof held indirectly: 5.24% (corresponds to: 10,172,672 voting rights)
 - 7.2 Financial/other instruments pursuant to Secs. 21, 22 WpHG: 2.44% (corresponds to: 4,729,494 voting rights)
8. Details on financial/other instruments pursuant to Sec. 25 WpHG:
 - 8.1 Chain of controlled undertakings:
MS Equity Financing Services (Luxembourg) Sarl, Morgan Stanley International Limited, Morgan Stanley Group (Europe), Morgan Stanley UK Group, Morgan Stanley & Co International Plc
 - 8.3 Re-transfer claims:
Various contracts whose exercise is at the lender's discretion

1. Listed company:
United Internet AG, Elgendorfer Strasse 57, 56410 Montabaur, Germany
2. Notifier:
Morgan Stanley International Limited, London, UK
3. Triggering event:
Threshold(s) crossed
4. Threshold(s) in question:
5%
5. Date of triggering event:
May 21, 2013
6. Notifier's voting rights:
5.48% (corresponds to: 10,625,587 voting rights)
7. Details of voting rights:
 - 7.1 Financial/other instruments pursuant to Sec. 25 WpHG: 3.04% (corresponds to: 5,896,093 voting rights), thereof held indirectly: 3.04% (corresponds to: 5,896,093 voting rights)
 - 7.2 Financial/other instruments pursuant to Secs. 21, 22 WpHG: 2.44% (corresponds to: 4,729,494 voting rights)
8. Details on financial/other instruments pursuant to Sec. 25 WpHG:
 - 8.1 Chain of controlled undertakings:
Morgan Stanley Group (Europe), Morgan Stanley UK Group, Morgan Stanley & Co International Plc

8.4 Re-transfer claims:

Various contracts whose exercise is at the lender's discretion

1. Listed company:
United Internet AG, Elgendorfer Strasse 57, 56410 Montabaur, Germany
 2. Notifier:
Morgan Stanley Group (Europe), London, UK
 3. Triggering event:
Threshold(s) crossed
 4. Threshold(s) in question:
5%
 5. Date of triggering event:
May 21, 2013
 6. Notifier's voting rights:
5.48% (corresponds to: 10,625,587 voting rights)
 7. Details of voting rights:
 - 7.1 Financial/other instruments pursuant to Sec. 25 WpHG: 3.04% (corresponds to: 5,896,093 voting rights), thereof held indirectly: 3.04% (corresponds to: 5,896,093 voting rights)
 - 7.2 Financial/other instruments pursuant to Secs. 21, 22 WpHG: 2.44% (corresponds to: 4,729,494 voting rights)
 8. Details on financial/other instruments pursuant to Sec. 25 WpHG:
 - 8.1 Chain of controlled undertakings:
Morgan Stanley UK Group, Morgan Stanley & Co International Plc
- 8.5 Re-transfer claims:
Various contracts whose exercise is at the lender's discretion

1. Listed company:
United Internet AG, Elgendorfer Strasse 57, 56410 Montabaur, Germany
2. Notifier:
Morgan Stanley UK Group, London, UK
3. Triggering event:
Threshold(s) crossed
4. Threshold(s) in question:
5%
5. Date of triggering event:
May 21, 2013
6. Notifier's voting rights:
5.48% (corresponds to: 10,625,587 voting rights)
7. Details of voting rights:
 - 7.1 Financial/other instruments pursuant to Sec. 25 WpHG: 3.04% (corresponds to: 5,896,093 voting rights), thereof held indirectly: 3.04% (corresponds to: 5,896,093 voting rights)

- 7.2 Financial/other instruments pursuant to Secs. 21, 22 WpHG: 2.44%
(corresponds to: 4,729,494 voting rights)
- 8. Details on financial/other instruments pursuant to Sec. 25 WpHG:
 - 8.1 Chain of controlled undertakings:
Morgan Stanley & Co International Plc
 - 8.6 Re-transfer claims:
Various contracts whose exercise is at the lender's discretion

- 1. Listed company:
United Internet AG, Elgendorfer Strasse 57, 56410 Montabaur, Germany
- 2. Notifier:
Morgan Stanley & Co International Plc, London, UK
- 3. Triggering event:
Threshold(s) crossed
- 4. Threshold(s) in question:
5%
- 5. Date of triggering event:
May 21, 2013
- 6. Notifier's voting rights:
5.48% (corresponds to: 10,625,587 voting rights)
- 7. Details of voting rights:
 - 7.1 Financial/other instruments pursuant to Sec. 25 WpHG: 3.04% (corresponds to: 5,896,093 voting rights), thereof held indirectly: 0.00% (corresponds to: 0 voting rights)
 - 7.2 Financial/other instruments pursuant to Secs. 21, 22 WpHG: 2.44%
(corresponds to: 4,729,494 voting rights)
- 8. Details on financial/other instruments pursuant to Sec. 25 WpHG:
 - 8.1 Chain of controlled undertakings: -
 - 8.2 Re-transfer claims:
Various contracts whose exercise is at the lender's discretion

Notification of voting rights pursuant to Sec. 25 WpHG

We received the following notifications of voting rights pursuant to Sec. 25 WpHG on 28 May 2013:

- 1. Listed company:
United Internet AG, Elgendorfer Strasse 57, 56410 Montabaur, Germany
- 2. Notifier:
Morgan Stanley, Wilmington, Delaware, USA
- 3. Triggering event:
Threshold(s) crossed
- 4. Threshold(s) in question:

- 5%, 10%
5. Date of triggering event:
May 21, 2013
 6. Notifier's voting rights:
10.39% (corresponds to: 20,158,163 voting rights)
 7. Details of voting rights:
 - 7.1 Financial/other instruments pursuant to sec. 25a WpHG: 0.34% (corresponds to: 668,080 voting rights), thereof held indirectly: 0.34% (corresponds to: 668,080 voting rights)
 - 7.2 Financial/other instruments pursuant to Sec. 25 WpHG: 7.58% (corresponds to: 14,713,491 voting rights), thereof held indirectly: 7.58% (corresponds to: 14,713,491 voting rights)
 - 7.3 Financial/other instruments pursuant to Secs. 21, 22 WpHG: 2.46% (corresponds to: 4,776,592 voting rights)
 - 8 Details on financial/other instruments pursuant to Sec. 25a WpHG:
 - 8.1 Chain of controlled undertakings:
Morgan Stanley International Holdings Inc., Morgan Stanley International Limited, Morgan Stanley Group (Europe), Morgan Stanley UK Group, Morgan Stanley & Co International Plc, Morgan Stanley Turnberry Limited, Morgan Stanley Montgomerie Investments Limited, Morgan Stanley Equity Derivative Services (Luxembourg) S.a.r.l
 - 8.2 Cash-settled swaps, expiration date May 31, 2013
-
1. Listed company:
United Internet AG, Elgendorfer Strasse 57, 56410 Montabaur, Germany
 2. Notifier:
Morgan Stanley International Holdings Inc, Wilmington, Delaware, USA
 3. Triggering event:
Threshold(s) crossed
 4. Threshold(s) in question:
5%
 5. Date of triggering event:
May 21, 2013
 6. Notifier's voting rights:
8.03% (corresponds to: 15,570,246 voting rights)
 7. Details of voting rights:
 - 7.1 Financial/other instruments pursuant to sec. 25a WpHG: 0.34% (corresponds to: 668,080 voting rights), thereof held indirectly: 0.34% (corresponds to: 668,080 voting rights)
 - 7.2 Financial/other instruments pursuant to Sec. 25 WpHG: 5.24% (corresponds to: 10,172,672 voting rights), thereof held indirectly: 5.24% (corresponds to: 10,172,672 voting rights)
 - 7.3 Financial/other instruments pursuant to Secs. 21, 22 WpHG: 2.44% (corresponds to: 4,729,494 voting rights)

8. Details on financial/other instruments pursuant to Sec. 25a WpHG:
 - 8.1 Chain of controlled undertakings:
 - 8.2 Morgan Stanley International Limited, Morgan Stanley Group (Europe), Morgan Stanley UK Group, Morgan Stanley & Co International Plc, Morgan Stanley Turnberry Limited, Morgan Stanley Montgomerie Investments Limited, Morgan Stanley Equity Derivative Services (Luxembourg) S.a.r.l
 - 8.3 Cash-settled swaps, expiration date May 31, 2013

1. Listed company:
United Internet AG, Elgendorfer Strasse 57, 56410 Montabaur, Germany
2. Notifier:
Morgan Stanley International Limited, London, UK
3. Triggering event:
Threshold(s) crossed
4. Threshold(s) in question:
5%
5. Date of triggering event:
May 21, 2013
6. Notifier's voting rights:
5.82% (corresponds to: 11,293,667 voting rights)
7. Details of voting rights:
 - 7.1 Financial/other instruments pursuant to sec. 25a WpHG: 0.34% (corresponds to: 668,080 voting rights), thereof held indirectly: 0.34% (corresponds to: 668,080 voting rights)
 - 7.2 Financial/other instruments pursuant to Sec. 25 WpHG: 3.04% (corresponds to: 5,896,093 voting rights), thereof held indirectly: 3.04% (corresponds to: 5,896,093 voting rights)
 - 7.3 Voting rights pursuant to Sec. 21, 22 WpHG: 2.44% (corresponds to: 4.729.494 voting rights)

- 8 Details on financial/other instruments pursuant to Sec. 25a WpHG:
 - 8.1 Chain of controlled undertakings:
Morgan Stanley Group (Europe), Morgan Stanley UK Group, Morgan Stanley & Co International Plc, Morgan Stanley Turnberry Limited, Morgan Stanley Montgomerie Investments Limited, Morgan Stanley Equity Derivative Services (Luxembourg) S.a.r.l
 - 8.2 Cash-settled swaps, expiration date May 31, 2013

1. Listed company:
United Internet AG, Elgendorfer Strasse 57, 56410 Montabaur, Germany
2. Notifier:
Morgan Stanley Group (Europe), London, UK
3. Triggering event:
Threshold(s) crossed

4. Threshold(s) in question:
5%
5. Date of triggering event:
May 21, 2013
6. Notifier's voting rights:
5.82% (corresponds to: 11.293.667 voting rights)
7. Details of voting rights:
 - 7.1 Financial/other instruments pursuant to sec. 25a WpHG: 0.34% (corresponds to: 668.080 voting rights), thereof held indirectly: 0.34% (corresponds to: 668.080 voting rights)
 - 7.2 Financial/other instruments pursuant to Sec. 25 WpHG: 3.04% (corresponds to: 5.896.093 voting rights), thereof held indirectly: 3.04% (corresponds to: 5.896.093 voting rights)
 - 7.3 Voting rights pursuant to Secs. 21, 22 WpHG: 2.44% (corresponds to: 4,729,494 voting rights)
- 8 Details on financial/other instruments pursuant to Sec. 25a WpHG:
 - 8.1 Chain of controlled undertakings:
Morgan Stanley UK Group, Morgan Stanley & Co International Plc, Morgan Stanley Turnberry Limited, Morgan Stanley Montgomerie Investments Limited, Morgan Stanley Equity Derivative Services (Luxembourg) S.a.r.l
 - 8.2 Cash-settled swaps, expiration date May 31, 2013

1. Listed company:
United Internet AG, Elgendorfer Strasse 57, 56410 Montabaur, Germany
2. Notifier:
Morgan Stanley UK Group, London, UK
3. Triggering event:
Threshold(s) crossed
4. Threshold(s) in question:
5%
5. Date of triggering event:
May 21, 2013
6. Notifier's voting rights:
5.82% (corresponds to: 11,293,667 voting rights)
7. Details of voting rights:
 - 7.1 Financial/other instruments pursuant to sec. 25a WpHG: 0.34% (corresponds to: 668,080 voting rights), thereof held indirectly: 0.34% (corresponds to: 668,080 voting rights)
 - 7.2 Financial/other instruments pursuant to Sec. 25 WpHG: 3.04% (corresponds to: 5,896,093 voting rights), thereof held indirectly: 3.04% (corresponds to: 5,896,093 voting rights)
 - 7.3 Financial/other instruments pursuant to Secs. 21, 22 WpHG: 2.44% (corresponds to: 4,729,494 voting rights)
8. Details on financial/other instruments pursuant to Sec. 25a WpHG:

8.1 Chain of controlled undertakings:

Morgan Stanley & Co International Plc, Morgan Stanley Turnberry Limited, Morgan Stanley Montgomerie Investments Limited, Morgan Stanley Equity Derivative Services (Luxembourg) S.a.r.l

8.2 Cash-settled swaps, expiration date May 31, 2013

1. Listed company:

United Internet AG, Elgendorfer Strasse 57, 56410 Montabaur, Germany

2. Notifier:

Morgan Stanley & Co International Plc, London, UK

3. Triggering event:

Threshold(s) crossed

4. Threshold(s) in question:

5%

5. Date of triggering event:

May 21, 2013

6. Notifier's voting rights:

5.82% (corresponds to: 11,293,667 voting rights)

7. Details of voting rights:

7.1 Financial/other instruments pursuant to sec. 25a WpHG: 0.34% (corresponds to: 668,080 voting rights), thereof held indirectly: 0.17% (corresponds to: 334,040 voting rights)

7.2 Financial/other instruments pursuant to Sec. 25 WpHG: 3.04% (corresponds to: 5,896,093 voting rights), thereof held indirectly: 0.00% (corresponds to: 0 voting rights)

7.3 Financial/other instruments pursuant to Secs. 21, 22 WpHG: 2.44% (corresponds to: 4,729,494 voting rights)

8 Details on financial/other instruments pursuant to Sec. 25a WpHG:

8.1 Chain of controlled undertakings:

Morgan Stanley Turnberry Limited, Morgan Stanley Montgomerie Investments Limited, Morgan Stanley Equity Derivative Services (Luxembourg) S.a.r.l

8.2 Cash-settled swaps, expiration date May 31, 2013

Notification of voting rights pursuant to Sec. 25 WpHG

We received the following notifications of voting rights pursuant to Sec. 25 WpHG on 28 May 2013:

1. Listed company:
United Internet AG, Elgendorfer Strasse 57, 56410 Montabaur, Germany
 2. Notifier:
Morgan Stanley, Wilmington, Delaware, USA
 3. Triggering event:
Falling below threshold
 4. Threshold(s) in question:
10%
 5. Date of triggering event:
May 22, 2013
 6. Notifier's voting rights:
5.12% (corresponds to: 9,942,097 voting rights)
 7. Details of voting rights:
 - 7.1 Financial/other instruments pursuant to Sec. 25 WpHG: 5.10% (corresponds to: 9,886,089 voting rights), thereof held indirectly: 5.10% (corresponds to: 9,886,089 voting rights)
 - 7.2 Financial/other instruments pursuant to Secs. 21, 22 WpHG: 0.03% (corresponds to: 56,008 voting rights)
 8. Details on financial/other instruments pursuant to Sec. 25 WpHG:
 - 8.1 Chain of controlled undertakings:
Morgan Stanley Capital Management LLC, Morgan Stanley Domestic Holdings Inc., Morgan Stanley & Co LLC, Morgan Stanley International Holdings Inc., MS Equity Financing Services (Luxembourg) Sarl, MSDW Offshore Equity Services Inc., MS Equity Finance Services I (Cayman) Ltd.
 - 8.7 Re-transfer claims:
Various contracts whose exercise is at the lender's discretion
-
1. Listed company:
United Internet AG, Elgendorfer Strasse 57, 56410 Montabaur, Germany
 2. Notifier:
Morgan Stanley International Holdings Inc, Wilmington, Delaware, USA
 3. Triggering event:
Falling below threshold
 4. Threshold(s) in question:
5%
 5. Date of triggering event:
May 22, 2013

6. Notifier's voting rights:
2.47% (corresponds to: 4,783,365 voting rights)
7. Details of voting rights:
 - 7.1 Financial/other instruments pursuant to Sec. 25 WpHG: 2.47% (corresponds to: 4,783,365 voting rights), thereof held indirectly: 2.47% (corresponds to: 4,783,365 voting rights)
 - 7.2 Financial/other instruments pursuant to Secs. 21, 22 WpHG: 0.00% (corresponds to: 0 voting rights)
- 8 Details on financial/other instruments pursuant to Sec. 25 WpHG:
 - 8.1 Chain of controlled undertakings:
MS Equity Financing Services (Luxembourg) Sarl,
 - 8.8 Re-transfer claims:
Various contracts whose exercise is at the lender's discretion

1. Listed company:
United Internet AG, Elgendorfer Strasse 57, 56410 Montabaur, Germany
2. Notifier:
Morgan Stanley International Limited, London, UK
3. Triggering event:
Falling below threshold
4. Threshold(s) in question:
5%
5. Date of triggering event:
May 22, 2013
6. Notifier's voting rights:
0.00% (corresponds to: 0 voting rights)
7. Details of voting rights:
 - 7.1 Financial/other instruments pursuant to Sec. 25 WpHG: 0.00% (corresponds to: 0 voting rights), thereof held indirectly: 0.00% (corresponds to: 0 voting rights)
 - 7.2 Financial/other instruments pursuant to Secs. 21, 22 WpHG: 0.00% (corresponds to: 0 voting rights)
- 8 Details on financial/other instruments pursuant to Sec. 25 WpHG:
 - 8.1 Chain of controlled undertakings: -

1. Listed company:
United Internet AG, Elgendorfer Strasse 57, 56410 Montabaur, Germany
2. Notifier:
Morgan Stanley Group (Europe), London, UK
3. Triggering event:
Falling below threshold
4. Threshold(s) in question:
5%
5. Date of triggering event:

May 22, 2013

6. Notifier's voting rights:
0.00% (corresponds to: 0 voting rights)
7. Details of voting rights:
 - 7.1 Financial/other instruments pursuant to Sec. 25 WpHG: 0.00% (corresponds to: 0 voting rights), thereof held indirectly: 0.00% (corresponds to: 0 voting rights)
 - 7.2 Financial/other instruments pursuant to Secs. 21, 22 WpHG: 0.00% (corresponds to: 0 voting rights)
8. Details on financial/other instruments pursuant to Sec. 25 WpHG:
 - 8.1 Chain of controlled undertakings: -

1. Listed company:
United Internet AG, Elgendorfer Strasse 57, 56410 Montabaur, Germany
2. Notifier:
Morgan Stanley UK Group, London, UK
3. Triggering event:
Falling below threshold
4. Threshold(s) in question:
5%
5. Date of triggering event:
May 22, 2013
6. Notifier's voting rights:
0.00% (corresponds to: 0 voting rights)
7. Details of voting rights:
 - 7.1 Financial/other instruments pursuant to Sec. 25 WpHG: 0.00% (corresponds to: 0 voting rights), thereof held indirectly: 0.00% (corresponds to: 0 voting rights)
 - 7.2 Financial/other instruments pursuant to Secs. 21, 22 WpHG: 0.00% (corresponds to: 0 voting rights)
8. Details on financial/other instruments pursuant to Sec. 25 WpHG:
 - 8.1 Chain of controlled undertakings: -

1. Listed company:
United Internet AG, Elgendorfer Strasse 57, 56410 Montabaur, Germany
2. Notifier:
Morgan Stanley & Co International Plc, London, UK
3. Triggering event:
Falling below threshold
4. Threshold(s) in question:
5%
5. Date of triggering event:
May 22, 2013

6. Notifier's voting rights:
0.00% (corresponds to: 0 voting rights)
7. Details of voting rights:
 - 7.1 Financial/other instruments pursuant to Sec. 25 WpHG: 0.00% (corresponds to: 0 voting rights), thereof held indirectly: 0.00% (corresponds to: 0 voting rights)
 - 7.2 Financial/other instruments pursuant to Secs. 21, 22 WpHG: 0.00% (corresponds to: 0 voting rights)
8. Details on financial/other instruments pursuant to Sec. 25 WpHG:
 - 8.1 Chain of controlled undertakings: -

Notification of voting rights pursuant to Sec. 25 WpHG

We received the following notifications of voting rights pursuant to Sec. 25 WpHG on 28 May 2013:

1. Listed company:
United Internet AG, Elgendorfer Strasse 57, 56410 Montabaur, Germany
2. Notifier:
Morgan Stanley, Wilmington, Delaware, USA
3. Triggering event:
Falling below threshold
4. Threshold(s) in question:
10%
5. Date of triggering event:
May 22, 2013
6. Notifier's voting rights:
5.48% (corresponds to: 10,637,796 voting rights)
7. Details of voting rights:
 - 7.1 Financial/other instruments pursuant to sec. 25a WpHG: 0.36% (corresponds to: 695,699 voting rights), thereof held indirectly: 0.36% (corresponds to: 695,699 voting rights)
 - 7.2 Financial/other instruments pursuant to Sec. 25 WpHG: 5.10% (corresponds to: 9,886,089 voting rights), thereof held indirectly: 5.10% (corresponds to: 9,886,089 voting rights)
 - 7.3 Financial/other instruments pursuant to Secs. 21, 22 WpHG: 0.03% (corresponds to: 56,008 voting rights)
8. Details on financial/other instruments pursuant to Sec. 25a WpHG:
 - 8.1 Chain of controlled undertakings:
Morgan Stanley International Holdings Inc., Morgan Stanley International Limited, Morgan Stanley Group (Europe), Morgan Stanley UK Group, Morgan Stanley & Co International Plc, Morgan Stanley Turnberry Limited, Morgan Stanley Montgomerie Investments Limited, Morgan Stanley Equity Derivative Services (Luxembourg) S.a.r.l
 - 8.2 Cash-settled swaps, expiration dates 28 May 2013, 31 May 2013

1. Listed company:
United Internet AG, Elgendorfer Strasse 57, 56410 Montabaur, Germany
2. Notifier:
Morgan Stanley International Holdings Inc, Wilmington, Delaware, USA
3. Triggering event:
Falling below threshold
4. Threshold(s) in question:
5%
5. Date of triggering event:
May 22, 2013
6. Notifier's voting rights:
2.82% (corresponds to: 5,479,064 voting rights)
7. Details of voting rights:
 - 7.1 Financial/other instruments pursuant to sec. 25a WpHG: 0.36% (corresponds to: 695,699 voting rights), thereof held indirectly: 0,36% (corresponds to: 695,699 voting rights)
 - 7.2 Financial/other instruments pursuant to Sec. 25 WpHG: 2.47% (corresponds to: 4,783,365 voting rights), thereof held indirectly: 2.47% (corresponds to: 4,783,365 voting rights)
 - 7.3 Financial/other instruments pursuant to Secs. 21, 22 WpHG: 0.00% (corresponds to: 0 voting rights)
8. Details on financial/other instruments pursuant to Sec. 25a WpHG:
 - 8.1 Chain of controlled undertakings:
Morgan Stanley International Limited, Morgan Stanley Group (Europe), Morgan Stanley UK Group, Morgan Stanley & Co International Plc, Morgan Stanley Turnberry Limited, Morgan Stanley Montgomerie Investments Limited, Morgan Stanley Equity Derivative Services (Luxembourg) S.a.r.l
 - 8.2 Cash-settled swaps, expiration dates 28 May 2013, 31 May 2013

1. Listed company:
United Internet AG, Elgendorfer Strasse 57, 56410 Montabaur, Germany
2. Notifier:
Morgan Stanley International Limited, London, UK
3. Triggering event:
Falling below threshold
4. Threshold(s) in question:
5%
5. Date of triggering event:
May 22, 2013
6. Notifier's voting rights:
0.36% (corresponds to: 695,699 voting rights)

7. Details of voting rights:
 - 7.1 Financial/other instruments pursuant to sec. 25a WpHG: 0.36% (corresponds to: 695,699 voting rights), thereof held indirectly: 0.36% (corresponds to: 695,699 voting rights)
 - 7.2 Financial/other instruments pursuant to Sec. 25 WpHG: 0.00% (corresponds to: 0 voting rights), thereof held indirectly: 0.00% (corresponds to: 0 voting rights)
 - 7.3 Financial/other instruments pursuant to Secs. 21, 22 WpHG: 0.00% (corresponds to: 0 voting rights)
 8. Details on financial/other instruments pursuant to Sec. 25a WpHG:
 - 8.1 Chain of controlled undertakings:

Morgan Stanley Group (Europe), Morgan Stanley UK Group, Morgan Stanley & Co International Plc, Morgan Stanley Turnberry Limited, Morgan Stanley Montgomerie Investments Limited, Morgan Stanley Equity Derivative Services (Luxembourg) S.a.r.l
 - 8.2 Cash-settled swaps, expiration dates 28 May 2013, 31 May 2013
-
1. Listed company:

United Internet AG, Elgendorfer Strasse 57, 56410 Montabaur, Germany
 2. Notifier:

Morgan Stanley Group (Europe), London, UK
 3. Triggering event:

Falling below threshold
 4. Threshold(s) in question:

5%
 5. Date of triggering event:

May 22, 2013
 6. Notifier's voting rights:

0.36% (corresponds to: 695,699 voting rights)
 7. Details of voting rights:
 - 7.1 Financial/other instruments pursuant to sec. 25a WpHG: 0.36% (corresponds to: 695,699 voting rights), thereof held indirectly: 0.36% (corresponds to: 695,699 voting rights)
 - 7.2 Financial/other instruments pursuant to Sec. 25 WpHG: 0.00% (corresponds to: 0 voting rights), thereof held indirectly: 0.00% (corresponds to: 0 voting rights)
 - 7.3 Financial/other instruments pursuant to Secs. 21, 22 WpHG: 0.00% (corresponds to: 0 voting rights)
 8. Details on financial/other instruments pursuant to Sec. 25a WpHG:
 - 8.1 Chain of controlled undertakings:

Morgan Stanley UK Group, Morgan Stanley & Co International Plc, Morgan Stanley Turnberry Limited, Morgan Stanley Montgomerie Investments Limited, Morgan Stanley Equity Derivative Services (Luxembourg) S.a.r.l
 - 8.2 Cash-settled swaps, expiration dates 28 May 2013, 31 May 2013

1. Listed company:
United Internet AG, Elgendorfer Strasse 57, 56410 Montabaur, Germany
2. Notifier:
Morgan Stanley UK Group, London, UK
3. Triggering event:
Falling below threshold
4. Threshold(s) in question:
5%
5. Date of triggering event:
May 22, 2013
6. Notifier's voting rights:
0.36% (corresponds to: 695,699 voting rights)
7. Details of voting rights:
 - 7.1 Financial/other instruments pursuant to sec. 25a WpHG: 0.36% (corresponds to: 695,699 voting rights), thereof held indirectly: 0.36% (corresponds to: 695,699 voting rights)
 - 7.2 Financial/other instruments pursuant to Sec. 25 WpHG: 0.00% (corresponds to: 0 voting rights), thereof held indirectly: 0.00% (corresponds to: 0 voting rights)
 - 7.3 Financial/other instruments pursuant to Secs. 21, 22 WpHG: 0.00 (corresponds to: 0 voting rights)
8. Details on financial/other instruments pursuant to Sec. 25a WpHG:
 - 8.1 Chain of controlled undertakings:
Morgan Stanley & Co International Plc, Morgan Stanley Turnberry Limited, Morgan Stanley Montgomerie Investments Limited, Morgan Stanley Equity Derivative Services (Luxembourg) S.a.r.l
 - 8.2 Cash-settled swaps, expiration dates 28 May 2013, 31 May 2013

1. Listed company:
United Internet AG, Elgendorfer Strasse 57, 56410 Montabaur, Germany
2. Notifier:
Morgan Stanley & Co International Plc, London, UK
3. Triggering event:
Falling below threshold
4. Threshold(s) in question:
5%
5. Date of triggering event:
May 22, 2013
6. Notifier's voting rights:
0.36% (corresponds to: 695,699 voting rights)
7. Details of voting rights:
 - 7.1 Financial/other instruments pursuant to sec. 25a WpHG: 0.36% (corresponds to: 695,699 voting rights), thereof held indirectly: 0.17% (corresponds to: 327,770 voting rights)

- 7.2 Financial/other instruments pursuant to Sec. 25 WpHG: 0.00% (corresponds to: 0 voting rights), thereof held indirectly: 0.00% (corresponds to: 0 voting rights)
- 7.3 Financial/other instruments pursuant to Secs. 21, 22 WpHG: 0.00 (corresponds to: 0 voting rights)
- 8. Details on financial/other instruments pursuant to Sec. 25a WpHG:
 - 8.1 Chain of controlled undertakings:
Morgan Stanley Turnberry Limited, Morgan Stanley Montgomerie Investments Limited, Morgan Stanley Equity Derivative Services (Luxembourg) S.a.r.l
 - 8.2 Cash-settled swaps, expiration dates 28 May 2013, 31 May 2013

Notification of voting rights pursuant to Sec. 25 WpHG

We received the following notifications of voting rights pursuant to Sec. 25 WpHG on 30 May 2013:

- 1. Listed company:
United Internet AG, Elgendorfer Strasse 57, 56410 Montabaur, Germany
- 2. Notifier:
Morgan Stanley, Wilmington, Delaware, USA
- 3. Triggering event:
Falling below threshold
- 4. Threshold(s) in question:
5%
- 5. Date of triggering event:
May 27, 2013
- 6. Notifier's voting rights:
3.97% (corresponds to: 7,703,637 voting rights)
- 7. Details of voting rights:
 - 7.1 Financial/other instruments pursuant to Sec. 25 WpHG: 3.95% (corresponds to: 7,660,552 voting rights), thereof held indirectly: 3.95% (corresponds to: 7,660,552 voting rights)
 - 7.2 Financial/other instruments pursuant to Secs. 21, 22 WpHG: 0.02% (corresponds to: 43,085 voting rights)
- 8. Details on financial/other instruments pursuant to Sec. 25 WpHG:
 - 8.1 Chain of controlled undertakings:
Morgan Stanley Capital Management LLC, Morgan Stanley Domestic Holdings Inc., Morgan Stanley & Co LLC, Morgan Stanley International Holdings Inc., MS Equity Financing Services (Luxembourg) Sarl, MSDW Offshore Equity Services Inc., MS Equity Finance Services I (Cayman) Ltd.
 - 8.9 Re-transfer claims:
Various contracts whose exercise is at the lender's discretion

Notification of voting rights pursuant to Sec. 25 WpHG

We received the following notifications of voting rights pursuant to Sec. 25 WpHG on 30 May 2013:

1. Listed company:
United Internet AG, Elgendorfer Strasse 57, 56410 Montabaur, Germany
2. Notifier:
Morgan Stanley, Wilmington, Delaware, USA
3. Triggering event:
Falling below threshold
4. Threshold(s) in question:
5%
5. Date of triggering event:
May 27, 2013
6. Notifier's voting rights:
4.33% (corresponds to: 8,397,793 voting rights)
7. Details of voting rights:
 - 7.1 Financial/other instruments pursuant to sec. 25a WpHG: 0.36% (corresponds to: 694,156 voting rights), thereof held indirectly: 0.36% (corresponds to: 694,156 voting rights)
 - 7.2 Financial/other instruments pursuant to Sec. 25 WpHG: 3.95% (corresponds to: 7,660,552 voting rights), thereof held indirectly: 3.95% (corresponds to: 7,660,552 voting rights)
 - 7.3 Financial/other instruments pursuant to Secs. 21, 22 WpHG: 0.02% (corresponds to: 43,085 voting rights)
8. Details on financial/other instruments pursuant to Sec. 25a WpHG:
 - 8.1 Chain of controlled undertakings:
Morgan Stanley International Holdings Inc., Morgan Stanley International Limited, Morgan Stanley Group (Europe), Morgan Stanley UK Group, Morgan Stanley & Co International Plc, Morgan Stanley Turnberry Limited, Morgan Stanley Montgomerie Investments Limited, Morgan Stanley Equity Derivative Services (Luxembourg) S.a.r.l
 - 8.2 Cash-settled swaps, expiration dates 28 May 2013, 31 May 2013

Publication on July 31, 2013

On July 26, 2013, BlackRock, Inc., New York, New York, USA, informed us according to Sec. 21 (1) of the WpHG that via shares its voting rights in United Internet AG, Montabaur, Germany, exceeded the 3% threshold of voting rights on July 26, 2013 and on that day amounted to 3.02% (corresponding to 5,855,172 voting rights). According to Sec. 22 (1) Sentence 1, No. 6 in conjunction with Sec. 22 (1) Sentence 2 of the WpHG, 3.02% of voting rights (corresponding to 5855172 voting rights) are attributable to the company.

Publication on August 5, 2013

On August 2, 2013, BlackRock Holdco 2, Inc., Wilmington, Delaware, USA, informed us according to Sec. 21 (1) of the WpHG that via shares its voting rights in United Internet AG, Montabaur, Germany, exceeded the 3% threshold of voting rights on July 31, 2013 and on that day amounted to 3.003% (corresponding to 5,826,472 voting rights). According to Sec. 22 (1) Sentence 1, No. 6 in conjunction with Sec. 22 (1) Sentence 2 of the WpHG, 3.003% of voting rights (corresponding to 5,826,472 voting rights) are attributable to the company.

On August 2, 2013, BlackRock Financial Management, Inc., New York, New York, USA, informed us according to Sec. 21 (1) of the WpHG that via shares its voting rights in United Internet AG, Montabaur, Germany, exceeded the 3% threshold of voting rights on July 31, 2013 and on that day amounted to 3.003% (corresponding to 5,826,472 voting rights). According to Sec. 22 (1) Sentence 1, No. 6 in conjunction with Sec. 22 (1) Sentence 2 of the WpHG, 3.003% of voting rights (corresponding to 5,826,472 voting rights) are attributable to the company.

Publication on August 8, 2013

On August 7, 2013, BlackRock Holdco 2, Inc., Wilmington, Delaware, USA, informed us according to Sec. 21 (1) of the WpHG that via shares its voting rights in United Internet AG, Montabaur, Germany, fell below the 3% threshold of voting rights on August 2, 2013 and on that day amounted to 2.99% (corresponding to 5,810,117 voting rights). According to Sec. 22 (1) Sentence 1, No. 6 in conjunction with Sec. 22 (1) Sentence 2 of the WpHG, 2.99% of voting rights (corresponding to 5,810,117 voting rights) are attributable to the company.

On August 7, 2013, BlackRock Financial Management, Inc., New York, New York, USA, informed us according to Sec. 21 (1) of the WpHG that via shares its voting rights in United Internet AG, Montabaur, Germany, fell below the 3% threshold of voting rights on August 2, 2013 and on that day amounted to 2.99% (corresponding to 5,810,117 voting rights). According to Sec. 22 (1) Sentence 1, No. 6 in conjunction with Sec. 22 (1) Sentence 2 of the WpHG, 2.99% of voting rights (corresponding to 5,810,117 voting rights) are attributable to the company.

Publication on August 12, 2013

On August 9, 2013, BlackRock Holdco 2, Inc., Wilmington, Delaware, USA, informed us according to Sec. 21 (1) of the WpHG that via shares its voting rights in United Internet AG, Montabaur, Germany, exceeded the 3% threshold of voting rights on August 7, 2013 and on that day amounted to 3.01% (corresponding to 5,833,955 voting rights). According to Sec. 22 (1) Sentence 1, No. 6 in conjunction with Sec. 22 (1) Sentence 2 of the WpHG, 3.01% of voting rights (corresponding to 5,833,955 voting rights) are attributable to the company.

On August 9, 2013, BlackRock Financial Management, Inc., New York, New York, USA, informed us according to Sec. 21 (1) of the WpHG that via shares its voting rights in United Internet AG, Montabaur, Germany, exceeded the 3% threshold of voting rights on August 7, 2013 and on that day amounted to 3.01% (corresponding to 5,833,955 voting rights). According to Sec. 22 (1) Sentence 1, No. 6 in conjunction with

Sec. 22 (1) Sentence 2 of the WpHG, 3.01% of voting rights (corresponding to 5,833,955 voting rights) are attributable to the company.

Publication on November 11, 2013

On November 4, 2013, Mr. Ralph Dommermuth, Germany, informed us according to Sec. 21 (1) of the WpHG that via shares his voting rights in United Internet AG, Montabaur, Germany, exceeded the 50% threshold of voting rights on October 18, 2011 and on that day amounted to 50.25% (corresponding to 108,029,511 voting rights of a total of 215,000,000 voting rights). Of this total, 42.06% of voting rights (corresponding to 90,429,511 voting rights) were attributable to him acc. to Sec. 22 (1), Sentence 1, No. 1 WpHG. The attributed voting rights are held by the following companies which he controls, whose share of voting rights in United Internet AG is equal to or more than 3%:

- Ralph Dommermuth GmbH & Co. KG Beteiligungsgesellschaft
- Ralph Dommermuth Verwaltungs GmbH
- United Internet AG

On November 4, 2013, Mr. Ralph Dommermuth, Germany, informed us according to Sec. 21 (1) of the WpHG that via shares his voting rights in United Internet AG, Montabaur, Germany, fell below the 50% threshold of voting rights on January 8, 2013 and on that day amounted to 46.83% (corresponding to 93,662,202 voting rights of a total of 200,000,000). Of this total, 46.83% of voting rights (corresponding to 93,662,202 voting rights) were attributable to him acc. to Sec. 22 (1), Sentence 1, No. 1 WpHG. The attributed voting rights are held by the following companies which he controls, whose share of voting rights in United Internet AG is equal to or more than 3%:

- Ralph Dommermuth GmbH & Co. KG Beteiligungsgesellschaft
- Ralph Dommermuth Verwaltungs GmbH
- RD Holding GmbH & Co. KG - RD Holding-Verwaltungs GmbH

Publication on November 14, 2013

On November 12, 2013, Massachusetts Mutual Life Insurance Company, Springfield, Massachusetts, USA, informed us according to Secs. 21 (1) and 24 of the WpHG, of the following:

OppenheimerFunds Inc., New York, New York, USA, fell below the 3% threshold of voting rights in United Internet AG, Montabaur, Germany, on November 7, 2013. The number of voting rights held on November 7, 2013, amounted to 5,805,337 or 2.99%, which are attributable to OppenheimerFunds Inc. according to Sec. 22 (1) Sentence 1 No. 6 WpHG.

Oppenheimer Acquisition Corp., Centennial, Colorado, USA, fell below the 3% threshold of voting rights in United Internet AG, Montabaur, Germany, on November 7, 2013. The number of voting rights held on November 7, 2013, amounted to 5,805,337 or 2.99%, which are attributable to Oppenheimer Acquisition Corp. according to Sec. 22 (1) Sentence 1 No. 6 WpHG.

MM Asset Management Holding LLC, Springfield, Massachusetts, USA, fell below the 3% threshold of voting rights in United Internet AG, Montabaur, Germany, on November 7, 2013. The number of voting rights held on November 7, 2013, amounted to 5,805,337 or 2.99%, which are attributable to MM Asset Management Holding LLC acc. to Sec. 22 (1) S. 1 No. 6, in conjunction with (1) S. 2 WpHG.

MassMutual Holding LLC, Springfield, Massachusetts, USA, fell below the 3% threshold of voting rights in United Internet AG, Montabaur, Germany, on November 7, 2013. The number of voting rights held on November 7, 2013, amounted to 5,805,337 or 2.99%, which are attributable to MassMutual Holding LLC acc. to Sec. 22 (1) S. 1 No. 6, in conjunction with (1) S. 2 WpHG.

Massachusetts Mutual Life Insurance Company, Springfield, Massachusetts, USA, fell below the 3% threshold of voting rights in United Internet AG, Montabaur, Germany, on November 7, 2013. The number of voting rights held on November 7, 2013, amounted to 5,805,337 or 2.99%, which are attributable to Massachusetts Mutual Life Insurance Company acc. to Sec. 22 (1) S. 1 No. 6, in conjunction with (1) S. 2 WpHG.

Publication of voting rights notifications pursuant to Sec. 26a WpHG

Publication of total voting rights as of January 31, 2013:

United Internet AG hereby notifies that the total number of voting rights at the end of January 2013 amounted to 200,000,000.

Publication of total voting rights as of February 28, 2013:

United Internet AG hereby notifies that the total number of voting rights at the end of February 2013 amounted to 194,000,000 voting rights.

Events after the balance sheet date

As of January 1, 2014, the employees of United Internet AG were transferred to United Internet Corporate Services GmbH, Montabaur, a subsidiary of United Internet AG. Only the Executive Board and its assistants remain in United Internet AG.

Auditing and consulting fees

Auditing and consulting fees charged for the fiscal year are not disclosed as they are included in the details provided in the consolidated financial statements of United Internet AG.

Corporate Governance Code

The declaration of conformity with the German Corporate Governance Code acc. to Sec. 161 AktG was filed by the Management Board and Supervisory Board and is available to shareholders via the internet portal of United Internet AG (www.united-internet.de).

Montabaur, March 21, 2014

The Management Board

Ralph
Dommermuth

Robert
Hoffmann

Norbert
Lang

United Internet AG

Development of Fixed Assets from January 1, 2013 to December 31, 2013

	Acquisition and production costs (€k)				Accumulated Depreciation (€k)				Net book value (€k)	
	1/1/2013	Additions	Disposals	12/31/2013	1/1/2013	Additions	Disposals	12/31/2013	12/31/2013	12/31/2012
Intangible assets										
Licenses	150			150	147			147	3	3
Software	705	9		714	666	18		684	30	39
Total (I)	855	9	0	864	813	18	0	831	33	42
Property, plant and equipment										
Operational equipment	965	6		971	936	12		948	23	29
Office equipment	584	1		585	582			582	3	2
Improvements	115	333		448	109	1		110	338	6
Vehicles	454	91	127	418	293	60	118	235	183	161
Low-cost assets	3	3		6	3	1		4	2	0
Total (II)	2,121	434	127	2,428	1,923	74	118	1,879	549	198
Financial assets										
Shares in affiliated companies	1,105,566	59,680	67,620	1,097,626	0			0	1,097,626	1,105,566
Loans to affiliated companies	1,750			1,750	0			0	1,750	1,750
Investments	59,613		59,613	0	3		3	0	0	59,610
Total (III)	1,166,929	59,680	127,233	1,099,376	3	0	3	0	1,099,376	1,166,926
Total	1,169,905	60,123	127,360	1,102,668	2,739	92	121	2,710	1,099,958	1,167,166

United Internet AG, Montabaur

Statement of investments as of December 31, 2013

	Capital share in %	Company equity as of Dec. 31, 2013 T€	Net income / loss FY 2013 T€
Shares held directly			
1&1 Internet AG, Montabaur (1)	100.00	916,301	0
1&1 Telecommunication AG, Montabaur, formerly 1&1 Acces Holding GmbH, Montabaur (1)	100.00	59,658	0
1&1 Internet Service Holding GmbH, Montabaur (1)	100.00	25	0
1&1 Telecom Service Holding Montabaur GmbH, Montabaur (1)	100.00	25	0
United Internet Corporate Services GmbH, Montabaur, formerly 1&1 Corporate Services GmbH, Montabaur (1)	100.00	25	0
MIP Multimedia Internet Park GmbH, Zweibrücken	100.00	819	11
United Internet Ventures AG, Montabaur, formerly United Internet Beteiligungen GmbH, Montabaur (1)	100.00	128,439	0
Shares held indirectly			
1&1 Breitband GmbH, Montabaur	100.00	7	-6
1&1 Internet Development SRL, Bucharest / Romania	99.00	2,396	1,859
1&1 Internet Ltd., Slough / UK	100.00	531	462
1&1 Internet S.A.R.L., Saargemünd / France	100.00	-1,075	737
1&1 Internet Inc., Chesterbrook / USA	100.00	7,592	449
1&1 Internet Espana S.L.U., Madrid / Spain	100.00	345	440
1&1 Internet Service GmbH, Montabaur (2)	100.00	343	0
1&1 Internet (Philippines) Inc., Cebu City / Philippines	100.00	949	160
1&1 Internet Sp.z o.o., Warsaw / Poland	100.00	93	25
1&1 Mail & Media Holding GmbH, Montabaur (2)	100.00	913,442	0
1&1 Mail & Media GmbH, Montabaur (14)	100.00	212,665	0
1&1 Mail & Media Inc., Chesterbrook / USA	100.00	3,860	-161
1&1 Mail & Media Beteiligungen GmbH, Montabaur	100.00	955	-35
1&1 De-Mail GmbH, Montabaur (3)	100.00	25	0
1&1 Telecom GmbH, Montabaur (2)	100.00	26	0
1&1 Telecom Holding GmbH, Montabaur	100.00	1,272,753	-46
1&1 Telecom Service Montabaur GmbH, Montabaur, formerly 1&1 Internet Applications GmbH, Montabaur (2)	100.00	52	0
1&1 Telecom Service Zweibrücken GmbH, Zweibrücken, formerly 1&1 Internet Service GmbH, Zweibrücken (4)	100.00	25	0
1&1 UK Holdings Ltd., Slough / UK	100.00	93,579	-10
1&1 Datacenter SAS, Strasbourg / France	100.00	989	10
A1 Marketing, Kommunikation und neue Medien GmbH, Montabaur (2)	100.00	31	0
A1 Media USA LLC, Chesterbrook / USA	100.00	-595	-267
Arsys Internet S.L., Logrono / Spain	100.00	80,355	895
E.U.R.L. Arsys Internet, Perpignan / France	100.00	126	-51
Nicline Internet S.L.U., Logroño / Spain	100.00	107	62
Tesys Internet S.L., Logroño / Spain	100.00	1,275	256
Dollamore Ltd., Gloucester / UK	100.00	2,004	1,329
Fasthosts Internet Ltd., Gloucester / UK	100.00	8,241	-401
Fasthosts Internet Inc., Chesterbrook / USA	100.00	-280	0
Fast Recruitment Ltd., Gloucester / UK (5)	100.00	n/a	n/a
General Media Services GMX S.L., Madrid / Spain (5)	100.00	n/a	n/a
GMX Italia S.r.l., Milan / Italy (5)	100.00	n/a	n/a
Immobilienverwaltung AB GmbH, Montabaur	100.00	498	53
Immobilienverwaltung NMH GmbH, Montabaur	100.00	155	42
United Internet Media GmbH, Montabaur, formerly United Internet Media AG, Montabaur (2)	100.00	50	0
United Internet Dialog GmbH, Montabaur (13)	100.00	25	0
United Internet Media Austria GmbH, Vienna / Austria	100.00	156	32
United Internet Media Software GmbH, Montabaur	100.00	25	0
InterNetX GmbH, Regensburg (12)	95.56	9,870	3,877
InterNetX LAC S.A., Buenos Aires / Argentina (16)	100.00	10	-1
mySARL GmbH, Regensburg (16)	100.00	19	-2
myLLC GmbH, Regensburg (16)	100.00	19	-2
myLLP GmbH, Regensburg (16)	100.00	19	-2
myLTD GmbH, Regensburg (16)	100.00	19	-2
mySRL GmbH, Regensburg (16)	100.00	19	-2
InterNetX Corp., Miami / USA (5) (16)	100.00	13	-82
TLDDOT GmbH, Berlin (16)	53.50	129	-59
Domain Robot Enterprises Inc., Vancouver / Canada (5) (16)	100.00	0	0
Domain Robot Servicios de Hospedagem na Internet LTDA, Sao Paulo / Brasilien (5) (16)	99.99	19	-30
PSI-USA, Inc., Las Vegas / USA (16)	100.00	415	-15
Schlund Technologies GmbH, Regensburg (6) (16)	100.00	25	0
united-domains AG, Starnberg	85.00	8,363	7,931
united-domains Reselling GmbH, Starnberg (11) (17)	100.00	25	0
United Domains, Inc., Cambridge / USA (17)	100.00	-1,520	-458

United Internet AG, Montabaur

Statement of investments as of December 31, 2013

	Capital share in %	Company equity as of Dec. 31, 2013 T€	Net income / loss FY 2013 T€
Sedo Holding AG, Cologne	96.05	40,994	1,470
Sedo GmbH, Cologne (7) (18)	100.00	13,428	0
Sedo.com LLC, Boston / USA (18)	100.00	2,209	493
DomCollect Worldwide Intellectual Property AG, Zug / Switzerland (18)	100.00	-2,553	60
Response Republic Beteiligungsgesellschaft Deutschland GmbH, Montabaur (8) (18)	100.00	33,937	0
affilinet GmbH, Munich (8) (18)	100.00	3,334	0
affilinet Ltd., London / UK (18)	100.00	-6,257	-853
affilinet Nederland B.V., Haarlem / Netherlands (18)	100.00	195	34
affilinet Espana S.L.U., Madrid / Spanien (18)	100.00	163	32
affilinet France SAS, Saint-Denis / France (18)	100.00	-2,628	-7,088
affilinet Austria GmbH, Salzburg / Austria (18)	100.00	38	3
affilinet Schweiz GmbH, Zurich / Switzerland (18)	100.00	21	5
Cleafs B.V. Groningen, Netherlands (18)	100.00	-213	-162
European Founders Fund Nr. 2 Verwaltungs GmbH, Munich	90.00	23	-2
European Founders Fund Nr. 2 Geschäftsführungs GmbH, Munich	90.00	24	0
European Founders Fund GmbH & Co. Beteiligungs KG Nr. 2, Munich	90.00	4,188	128
European Founders Fund Nr. 3 Verwaltungs GmbH, Munich	80.00	22	0
European Founders Fund Nr. 3 Management GmbH, Munich	80.00	23	0
European Founders Fund GmbH & Co. Beteiligungs KG Nr. 3, Munich	80.00	8,669	450
European Founders Fund Nr. 3 Beteiligungs GmbH, Munich	100.00	847	0
European Founders Fund Verwaltungs GmbH, Munich	66.67	24	0
European Founders Fund Management GmbH, Munich	66.67	118	-1
European Founders Fund GmbH & Co. Beteiligungs KG Nr. 1, Munich	66.67	25,291	5,724
fun communications GmbH, Karlsruhe	49.00	1,587	-183
Intellectual Property Management Company Inc., Dover (Delaware) / USA	49.00	-201	116
DomainsBot S.r.l, Rome / Italy (18)	49.00	656	288
Virtual Minds AG, Freiburg (15)	48.65	5,492	160
European Founders Fund Investment GmbH, Munich	33.33	154	-89
ProfitBricks GmbH, Berlin (15)	30.02	-5,662	-5,580
Open-Xchange AG, Nürnberg (15)	28.36	17,853	-247
VictorianFibre Holding & Co. S.C.A, Luxemburg	25.10	235,561	-89
Travel-Trex GmbH, Cologne (9) (19)	25.00	1,341	793
getAbstract AG, Luzern / Switzerland (10) (19)	22.00	5,197	594
Goldbach Group AG, Küsnacht-Zürich / Switzerland	< 20,00	--	--
Hi-media S.A., Paris / France	< 20,00	--	--
MMC Investments Holding Company Ltd., Port Louis / Mauritius	< 20,00	--	--
Afilias Ltd., Dublin / Ireland	< 20,00	--	--
Silverpop Systems Inc., Atlanta / USA	< 20,00	--	--
Become Inc., Sunnyvale / USA	< 20,00	--	--

(1) after profit transfer to United Internet AG, Montabaur

(2) after profit transfer to 1&1 Internet AG, Montabaur

(3) after profit transfer to 1&1 Mail & Media GmbH, Montabaur

(4) after profit transfer to 1&1 Internet Service GmbH, Montabaur

(5) no operating business

(6) after profit transfer to InterNetX GmbH, Regensburg

(7) after profit transfer to Response Republic Beteiligungsgesellschaft GmbH, Montabaur

(8) after profit transfer to Sedo Holding AG, Cologne

(9) based on published figures as of May 31, 2012

(10) based on consolidated annual statements as of December 31, 2012

(11) after profit transfer to united-domains AG, Starnberg

(12) before dividends

(13) after profit transfer to United Internet Media GmbH, Montabaur

(14) after profit transfer to 1&1 Mail & Media Holding GmbH, Montabaur

(15) based on published figures as of December 31, 2012

(16) shares held indirectly by InterNetX GmbH

(17) shares held indirectly by united-domains AG

(18) shares held indirectly by Sedo Holding AG

(19) shares held indirectly by European Founders Fund GmbH & Co. Beteiligungs KG Nr. 2, Munich

Audit opinion of the Independent auditor

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report for the group and the company of United Internet AG, Montabaur, for the fiscal year from January 1 to December 31, 2013. The maintenance of the books and records and the preparation of the annual financial statements and management report for the group and the company in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report for the group and the company based on our audit.

We conducted our audit of the annual financial statements in accordance with Sec. 317 HGB ["Handelsgesetzbuch": German Commercial Code] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with [German] principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report for the group and the company. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements [and supplementary provisions of the partnership agreement/articles of incorporation and bylaws] and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with [German] principles of proper accounting. The management report for the group and the company is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks relating to future development.

Eschborn/Frankfurt am Main, March 25, 2014
Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Grote
Wirtschaftsprüfer
[German Public Auditor]

Kemmerich
Wirtschaftsprüfer
[German Public Auditor]

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Management Report and Group Management Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company.

Montabaur, March 21, 2014

Board of Management

Ralph Dommermuth

Robert Hoffmann

Norbert Lang